

JPRS-CEA-86-002

3 JANUARY 1986

China Report

ECONOMIC AFFAIRS



FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

3 January 1986

CHINA REPORT ECONOMIC AFFAIRS

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

Daily Questions Core Balance Between Accumulation, Consumption (Zhuang Hongxiang; GUANGMING RIBAO, 30 Nov 85).....	1
Briefs	
Pakistani Banker's Visit	3

PROVINCIAL AFFAIRS

Daily on Chongqing's Successful Economic Reform Experiment (Hao Beishang, Jiang Yang; JINGJI RIBAO, 2 Dec 85).....	4
Rise in Guangzhou Living Standards Due to Reforms (XINHUA, 23 Nov 85).....	6

ECONOMIC DEVELOPMENT ZONES

Fuzhou Delegation in Japan To Discuss Investment in 15 Projects (Zhang Tan; CHINA DAILY, 25 Nov 85).....	7
Briefs	
Guangzhou Expands Foreign Economic Cooperation	8
Guangdong Developing Industrial Export Base	8

ECONOMIC PLANNING

Yu Guangyuan Addresses Meeting on Regional Development (JINGJIXUE ZHOUBAO, 1 Dec 85).....	9
--	---

AGGREGATE ECONOMIC DATA

Briefs

Rural Enterprises	11
-------------------	----

ECONOMIC MANAGEMENT

Paper on Indirect Macrocontrol of Enterprises (Chen Jiyuan; GUANGMING RIBAO, 23 Nov 85).....	12
Official on Construction Management System Reform (XINHUA, 7 Dec 85).....	17
Reform of Economic Management Organs of Urban Governments (Zhang Guoyao; JINGJI GUANLI, No 10, 5 Oct 85).....	19

FINANCE AND BANKING

Shandong Conducts General Taxation, Fiscal Inspection (Shandong Provincial Service, 27 Nov 85).....	27
Finance Ministry Cited on Tax Crackdown Results (CHINA DAILY, 10 Dec 85).....	29
Tianjin Holds Meeting on Tax, Fiscal Inspection (Tianjin City Service, 22 Nov 85).....	31
Gansu Circular on Rushing To Spend Money at Year's End (Gansu Provincial Service, 26 Nov 85).....	32
State Council Approves Report on Auditing (XINHUA, 8 Dec 85).....	34
ICBC Branch Improves Credit Loan Business (XINHUA, 8 Dec 85).....	36
Hong Kong Paper Lists New Head Office Personnel of Bank of China (Cheng Hsiang; WEN WEI PO, 23 Nov 85).....	37
Asian Development Bank Postpones Announcement on PRC Application (AFP, 27 Nov 85).....	39
Travellers Check Market Develops Rapidly (Cecilia Lo; SOUTH CHINA MORNING POST, 22 Nov 85).....	40
China Has Absorbed \$5.4 Billion Foreign Capital During Past 6 Years (ZHONGGUO XINWEN SHE, 25 Nov 85).....	42

Beijing Company Insures Foreign-Financed Projects (XINHUA, 26 Nov 85).....	43
City in Sichuan Province Increases Revenue (XINHUA, 3 Dec 85).....	44
Shandong Reports Rise in Urban Consumption Levels (DAZHONG RIBAO, 9 Nov 85).....	45
Shandong Reports Rise in Income Urban Households (DAZHONG RIBAO, 8 Nov 85).....	46
LIAOWANG Discusses Reform of PRC Insurance System (Li Shiyi, Wu Ming; LIAOWANG, No 4, 2 Dec 85).....	47
Country To Expand Foreign Insurance Business (XINHUA, 7 Dec 85).....	53
Briefs	
Joint Venture Bank	54
Fujian Public Bonds	54
BOC To Triple Capital	54
Anhui Tax Revenues	55
Hainan Reduces Loans Amount	55
Shanghai Investment Firm	55
Beijing Currency Withdrawal	55
Japanese Banking Delegation	55
MINERAL RESOURCES	
Briefs	
Jilin Mining Developments	56
Jilin Gold Production	56
Henan Geological Work	56
DOMESTIC TRADE	
Henan's Yang Xizong Pushes Development of Trading Centers (Henan Provincial Service, 26 Nov 85).....	57
FOREIGN TRADE AND INVESTMENT	
BEIJING REVIEW on Sino-U.S. Joint Ventures (XINHUA, 1 Dec 85).....	59
License Regulations for Imports, Exports Reviewed (WEN WEI PO, 17 Nov 85).....	60
Wang Zhen Meets Hong Kong Businessmen in Guangdong (Su Kezong; NANFANG RIBAO, 13 Nov 85).....	61

Daily Reports Arrival on Saudi Delegation (NINGXIA RIBAO, 12 Nov 85).....	62
PRC, Norway Heavily Involved in Maritime Equipment Trade (Diane Stormont; SOUTH CHINA MORNING POST, 22 Nov 85)..	63
Nei Monggol Seeking Foreign Investment (XINHUA, 29 Nov 85).....	65
Investment in Guangdong May Reach \$1 Billion (XINHUA, 25 Nov 85).....	67
Shanxi Official Invites Foreign Cooperation (XINHUA, 23 Nov 85).....	68
Fujian Governor Speaks on Foreign Investment, Cooperation (ZHONGGUO XINWEN SHE, 27 Nov 85).....	69
Briefs	
Hebei Export Figures	70
Tianjin Export Plan Fulfillment	70
Beijing Export Achievements	70
Swiss Managers Visit Shanghai	70
Guangdong Products Exhibition in Hong Kong	71
PRC-Foreign Joint Venture Bank	71
PRC Electronic Products Display in CSSR	71
Song Ping Honored in Warsaw	71
Angolan President at Exposition	72
Fujian Trade Group in Togo	72
Beijing Technical Progress	72
Beijing Joint Venture Contracts	72
Fujian Foreign Capital for Export Items	72

SPECIAL ECONOMIC ZONES

Shenzhen Conducts Examination on Financial Affairs (ZHONGGUO XINWEN SHE, 18 Nov 85).....	73
Xiamen Economic Zone To Set Up PRC's First Regional Bank (Paul Sham; SOUTH CHINA MORNING POST, 26 Nov 85).....	74
Shenzhen Succeeds in Increasing Exports (Guangdong Provincial Service, 28 Nov 85).....	76
Briefs	
Shenzhen Overfulfills Revenue Target	77

LABOR AND WAGES

More Handicapped Residents Employed (XINHUA, 26 Nov 85).....	78
JINGJI GUANLI on Wage Reform in Light Industry (Li Suhua; JINGJI GUANLI, No 9, 5 Sep 85).....	79

PUBLICATIONS

Briefs	
5-Year Plan Proposal	82

TAIWAN

Yu Kuo-hua Urges Strengthened Pacific Trade (CNA, 4 Nov 85).....	83
Export Promotion Strategies Announced (CNA, 4 Dec 85).....	84
Central Bank To Lower Interest Rates 23 Nov (CNA, 23 Nov 85).....	85
Economic Indicators Show Economy Bottoming Out (CNA, 26 Nov 85).....	86
Officials Estimate \$10 Billion Trade Surplus (CNA, 2 Nov 85).....	87
Briefs	
Industrial Production Index Up	88
Companies Must Cut Expenses	88
Fishing Under Australian Accord	89
Import Tariffs	89

HONG KONG

PRC Bank Official Discusses Role of Bank of China in Hong Kong (Zhou Xiao; ZHONGGUO XINWEN SHE, 16 Nov 85).....	90
Development of New Export Markets Advised (XINHUA, 5 Nov 85).....	92
Daily's Editorial on Jenkins Bill (SOUTH CHINA MORNING POST, 19 Nov 85).....	93

Impact of PRC Import Curbs on Hong Kong Cited (Claudia Mo; AFP, 23 Nov 85).....	95
Briefs	
Bank Shows Confidence in Future	98
PRC International Deposit Plan Participation	98
Sharp Fall on Stock Market	98
PRC No 1 Food Supplier	99

NATIONAL POLICY AND ISSUES

DAILY QUESTIONS CORE BALANCE BETWEEN ACCUMULATION, CONSUMPTION

HK091550 Beijing GUANGMING RIBAO in Chinese 30 Nov 85 p 3

[Article by Zhuang Hongxiang [8369 7703 3276]: "The Core of Overall Balance Is the Proportion Between Accumulation and Consumption"]

[Text] In an article entitled "Briefly Touching on the Core of Overall Balance" (carried by GUANGMING RIBAO on 5 October), Comrade Zuo Chuntai said that the core of overall balance is "balance." This viewpoint is open to debate.

Overall balance refers to the overall balance of diverse proportions in various departments regarding manpower, finances, and materials in the course of development of the national economy. The core of this overall balance lies in one of these proportions which is most important to overall balance as a whole and which is the starting point for all changes and readjustments in various proportions. In fact, there is only one core for overall balance, and that is the proportion between accumulation and consumption.

In the many types of proportions in various sectors of the national economy concerning materials, finances, and manpower, we must first of all determine the appropriate proportion between accumulation and consumption in light of the level of our productive forces, previous data, and conditions in various aspects of the current external and internal situations. This proportion should be conducive to the improvement of the people's living standard and long-term economic development. When this proportion is determined, the variety and quantity of the final products of various departments and the people's consumption within their capability for payment can also be generally determined. Of course, there is an objective law governing the determination of this proportion. However, there is not a stereotyped pattern for this. Different plans can be worked out for different proportions under various conditions. For example, in wartime, when large quantities of military supplies are needed, the proportion in production should be different from that during peacetime. As a result of different historical conditions and living standards, the proportions in the structure of production are also affected. The starting point for these changes lies in the proportion between accumulation and consumption, which is related to general social demand and supply and which provides data for the proportion between the two

major categories and various proportions within the two categories (such as those between agriculture, light industry, heavy industry, communications, and power production). When this proportion is determined, we will be more clear about our ability to carry out construction in a certain period of planning and will be able to decide the funds and materials to be put into the construction of energy, communications, and science and education projects. From this proportion we can infer the general volume of commodity circulation and the amount of money needed. This proportion is related to both the internal commercial scope and foreign trade capability, as well as the scope of investment and credit. All this has provided a basis for the deployment and training of manpower and talented people.

The balance of general supply and demand is an extremely important issue. But it is only an aspect of the overall balance of the national economy. The general demand and supply include the demand and supply of many, many separate items, which should also be balanced in proportion. If the general demand and supply are balanced but those of the separate items are not, many products may possibly be overstocked while some other products may be in short supply, and there will still be a situation of imbalance. The proportion between accumulation and consumption is related to both the general demand and supply and the demand and supply of all the separate items.

From the above we can see that the core of overall balance of the national economy is the proportion between accumulation and consumption. In the course of carrying out plans, to cautiously prevent the phenomenon of losing control of the consumption funds, to stop unplanned and blind construction projects, to control the amount of money put into circulation, and to prevent the swelling of credit are all problems concerning a strictly implementation of the principle of overall balance. They are not the core of overall balance.

/6662

CSO: 4006/398

NATIONAL POLICY AND ISSUES

BRIEFS

PAKISTANI BANKER'S VISIT--Beijing, November 22 (XINHUA)--Chen Muhua, state councillor and governor of the People's Bank of China, met with A.G.N. Kazi, governor of the State Bank of Pakistan, and Mrs. Kazi here today. They conferred on expanding cooperation between the two banks. Kazi and his party arrived here yesterday. [Text] [Beijing XINHUA in English 1216 GMT 22 Nov 85 OW] /6662

CSO: 4020/124

PROVINCIAL AFFAIRS

DAILY ON CHONGQING'S SUCCESSFUL ECONOMIC REFORM EXPERIMENT

HK090409 Beijing JINGJI RIBAO in Chinese 2 Dec 85 pp 1, 2

[Article by reporters Hao Beishang [6787 0554 0006] and Jiang Yang [1203 3152]: "A Successful Experiment--A Factual Report on Urban Reform in Chongqing"]

[Excerpts] After reaching a consensus on "contradictions," the leaders of the Chongqing City CPC Committee and government gained a more profound understanding of their city: Chongqing is a port, a collecting and distributing center, and a junction between eastern and western China. For many years ships from the Chang Jiang estuary have been anchoring here and goods from Yunnan, Guizhou, and eastern and western Sichuan have been exchanged here. Its geographical conditions have determined its status. It is a center of economic activities in the Great Southwest. It was the "alternative capital" of the KMT and the seat of the southwestern administrative region. Now, it is China's first exceptionally big city experimenting in comprehensive reform of the economic structure. Comrade Liao Bokang, secretary of the Chongqing City CPC Committee, said: "It is therefore necessary to persist in opening up so that Chongqing can become a center of economic activities worthy of the name...."

In February 1984, the Chongqing City CPC Committee and government jointly decided to set up the Chongqing manufactured goods trade center, to open the market wider, to invigorate circulation, and to smash barriers between departments and regions. Soon afterwards, in an inspection tour of Chongqing Premier Zhao Ziyang confirmed this practice as conducive to invigorating the economy and to bringing the role of key cities into play.

Later, the Chongqing City CPC Committee and government decided to open the city to the outside world in an all-round way and to set up a three-dimensional and multilevel economic network centering on the city. The first level was to strengthen horizontal economic links among enterprises; the second was to strengthen horizontal economic links among enterprises in the urban and rural areas; the third was to conduct economic cooperation with the southwestern region; the fourth was to develop horizontal links with Shanghai, Wuhan, Nanjing, and the coastal areas; and the fifth was to vigorously develop foreign economic relations and trade and to import technology in a planned way.

Following changes in the administrative function of the government, "barriers" were turned into "go-betweens." As a proof of the success of this reform, the city's revenue in the first 9 months of this year rose by 33.8 percent over the corresponding period last year.

In summing up this work, the Chongqing City CPC Committee and government said: Invigorating enterprises is a starting point in urban reform. Changes in the government administrative function have further deepened our understanding of city functions. Comrade Liao Bokang said: "Since we administer a city, we cannot but pay constant attention to summing up our experience in understanding the city."

The leaders of the Chongqing City CPC Committee and government were clear-headed. They paid attention to views, in other parts of the country and the world, on how to give full play to the role of a city. They believed that in addition to striving to give play to the role of the city as a center of economic activities, it is also necessary to go all out to tap and to give play to its multiple functions as an information, science and technology, banking, tourist, and communications center, because they all complement each other. Moreover, it is necessary to treat urban maladies, that may break out or have broken out, comprehensively.

Viewed from its achievements, Chongqing City has attained remarkable successes in the reform of the economic structure over the past few years. In the 3 years prior to structural reform, the gross value of the city's industrial production increased at an average rate of 7.4 percent a year; in the past 2 years it has increased by 14.3 percent annually. The net increase of revenue in 1983-84 was four times as much as that in the previous 4 years. The revenue turned over to the central and provincial authorities in 1984 increased by 14.1 percent over 1983. The economic situation has taken a marked turn for the better. However, can we say that there are no problems? The leaders of the Chongqing City CPC Committee and government are quite sensible. They said: All work develops in the course of contradictions. Even if we have attained some successes, our work is still far from being perfect. We often think that since our task is to administer the city, we should make our duties clear, always keep them in mind, and fight for them, for the Great Southwest, and for the nation's four modernizations program.

It is highly commendable for the Chongqing City CPC Committee and government to think [word indistinct]. They have forged ahead in reforming this mountain city. What about the other cities? Do they have the problem of "understanding anew"? Can they develop their patterns and follow their own paths?

/6662

CSO: 4006/398

PROVINCIAL AFFAIRS

RISE IN GUANGZHOU LIVING STANDARDS DUE TO REFORMS

OW230724 Beijing XINHUA in English 0645 GMT 23 Nov 85

[Text] Guangzhou, 23 Nov (XINHUA)--The average income of Guangzhou citizens has increased in real terms at an annual rate of 6 percent over the past 5 years, a city official said today. He said the average per capita income this year was expected to reach 1,038 yuan. Recent economic reforms took most of the credit for the increase, he said.

According to a sample survey, 19.5 percent of Guangzhou families now own color television sets (nearly all families in the city have black-and-white TVs), 28 percent own refrigerators, 59 percent have washing machines, and 85.5 percent possess tape recorders.

Guangzhou citizens now have more such consumer goods on average than the residents of any other Chinese city. Five years ago, such items were regarded as luxuries.

Guangzhou people are also eating better. The monthly consumption of pork for each citizen is now about three kilograms--5.18 times the figure in 1957.

The present per capita monthly consumption of fish and poultry has also increased by 30 and 68 percent respectively compared with 1957.

The rising income of Guangzhou families is partly due to better employment opportunities for young people, the official noted.

About 340,000 Guangzhou youngsters have been provided with jobs over the past 5 years. This means that practically all young people in the city are now employed.

The official added that per capita living space in the city had also increased from 3.97 square meters in 1980 to the present 5.6 square meters.

/9604

CSO: 4020/118

ECONOMIC DEVELOPMENT ZONES

FUZHOU DELEGATION IN JAPAN TO DISCUSS INVESTMENT IN 15 PROJECTS

HK250513 Beijing CHINA DAILY in English 25 Nov 85 p 2

["Special to CHINA DAILY" by Zhang Tan]

[Text] A business delegation from Fuzhou, capital of Fujian Province, has arrived in Osaka, Japan, for talks with Japanese businessmen on a number of projects requiring foreign investment.

The Fuzhou team has 15 projects for discussion which will require total investment of 63.6 million yuan. The foreign capital component of the investment will be \$12.2 million.

Most of the projects involve producing goods for exports and some will produce items currently imported by China in large quantities.

Fuzhou, one of the 14 coastal cities open to foreign trade, has signed 159 contracts with foreign businesses in the last two years. More than \$21 million of foreign capital had been invested in the city for industrial renovation and joint ventures. Of the 159 projects, 48 had gone into production by the end of 1984.

New progress has been made this year with 91 projects under construction with total investment of 181 million yuan, of which 119.4 million yuan (\$37.3 million) is from abroad. It is expected more than 50 projects with \$18.8 million of foreign capital will start production by the end of December.

The city has imported much high-tech equipment, production lines and advanced technology since 1983. Now these imports are beginning to yield good returns. The city's No 3 Plastic Factory won a state top prize for its gunny sacks since it imported a production line with an annual capacity of 35 million sacks.

/6662

CSO: 4020/116

ECONOMIC DEVELOPMENT ZONES

BRIEFS

GUANGZHOU EXPANDS FOREIGN ECONOMIC COOPERATION--Guangzhou, November 27 (XINHUA)--Guangzhou, one of China's 14 open coastal cities, has signed 17,739 contracts for economic and technical cooperation with foreign firms from 1979 and September of this year, a spokesman for the city government said today. The total investment, plus the income anticipated from processing and assembly tasks with supplied materials or parts, is expected to reach 2.5 billion U.S. dollars, with 400 million U.S. dollars already in place, the spokesman said. The number of cooperative enterprises had increased to 378 by September of this year, up from 24 in 1980. The number of joint ventures is now 67 up from three in 1983. More than 100 joint ventures and cooperative enterprises are already in operation. The bulk of the foreign investment has shifted from the tourism and service trades to industry, agriculture, communications, transport, and building, according to the spokesman. [Text] [Beijing XINHUA in English 0744 GMT 27 Nov 85 OW] /6662

GUANGDONG DEVELOPING INDUSTRIAL EXPORT BASE--According to NANFANG RIBAO, the Guangdong Provincial People's Government has decided to build the Zhujiang Delta open zone into an industrial products exporting base. Thus more industrial enterprises in the cities and counties of the delta will undertake the export of industrial goods. A number of enterprises where the conditions are right will be selected, after approval, to be export producer base enterprises. The delta should strive for new development in industrial exports during the seventh 5-year plan, to make more foreign exchange for the state. In this industrial exporting base, 160 products with a value of more than \$1 million in the current year have been initially designated as current focal key products for development. At the same time, a number of new export products will be organized and developed. Within this base, a number of special factories turning out products for export only will be designated. A number of factories will also be designated for both external and domestic sales. These two types of factory will form the backbone in building a production setup for exports. The provincial government has decided to adopt some favored treatment policy measures to encourage this export goods base in the Zhujiang Delta open zone to expand industrial exports. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 30 Nov 85 HK] /6662

CSO: 4006/374

ECONOMIC PLANNING

YU GUANGYUAN ADDRESSES MEETING ON REGIONAL DEVELOPMENT

HK110455 Beijing JINGJIXUE ZHOUBAO in Chinese 1 Dec 85 p 1

[Speech by Yu Guangyuan [0060 0342 6678] on 11 November 1985 at the national meeting to exchange experience in research on regional development strategies: [Targets of Endeavor and Tasks"]

[Text] The "regional development strategies" discussed at the current meeting are strategies worked out and implemented by the leading department of various regions for their own economic and social development. "A region" mentioned here may be as large as a whole province, an economic zone composed of several provinces, municipalities, and autonomous regions, or a certain area of a large river valley, or as small as a county or an area smaller than a county. The term "region" stands in relation to the country as a whole.

A "regional development strategy" is not the same as the component part of the national strategy for economic and social development formulated and implemented by the leading state organs concerning the problem of regional development.

I called the former strategy "the regional strategy in the regional strategies" and the latter "the regional strategy in the national strategy." It must be stated that the latter term is accurate. As for the former, since it is very difficult to give it a precise name, I have to use that term with a view to "pitting" it "against" the latter. Today it seems there is a need to revise it, that is, the former regional development strategy should be called the regional strategy for different regions and thus the latter can be called the regional strategy for the country as a whole. The reasons for such a revision are that there are relatively small areas in a big region and therefore, the regional strategy for a big region contains the development strategies for the areas under its jurisdiction. This is a veritable "regional strategy in the regional strategies." On a par with this "regional strategy in the regional strategies" there may be "the departmental strategy in the regional strategies" or "the special strategy in the regional strategies." These strategies form the regional development strategy for a relatively big region. This is because at present not only provinces, municipalities, and autonomous regions but also prefectures, cities, and even counties are studying their own development strategies, so the formation of a regional development strategy for a relatively big region has become a problem which calls for consideration.

Formulating the strategy for a region needs long intensive deliberations (by "formulation," we mean revising and replenishing the set strategy in accordance with the continually changing situation or even working out a new strategy; deliberations are still needed with the adoption of a new strategy, and we do not mean a strategy can be completed on a one-time basis). The research work on regional strategies should be carried out by the leading regional organizations. Therefore, the purpose of this meeting is to exchange experience in the studies or strategy carried out by the various leading regional organizations.

Of course, scholars are encouraged and should take the initiative in doing the research work in this respect. What they are expected to do is to make proposals or suggestions for strategy makers. The experience of the scholars in researching regional development strategies should also be exchanged in current meeting.

The aim of this meeting is to discuss "the experience of research into regional development strategies" and "the theory of regional development strategies" rather than discussing "the regional development strategy itself." "The regional development strategy" discussed in the current meeting, which I called "the regional development strategy" in "the regional strategy in the regional strategies," cannot be a "general" but "specific" strategy, that is to say, it is a strategy for specific regions. This regional strategy can only be studied on a regional basis and not in general terms. It is impossible in effect to discuss the strategy for numerous regions at a meeting. The discussion on regional strategy should be carried out in a meeting-by-meeting program, which we are now following in effect. That "the regional strategy in the general regional strategies" is nonexistent does not mean that there is no generality or universality in such a strategy and no general theory and methods for research into regional development and still less means that the experience in studying regional development can hardly be exchanged and a general summing up of the experience in this respect can hardly be made. From this viewpoint of "being general" and "being specific," the convening of this meeting and its successful prospects are based on the two "does-not-means."

Apart from this philosophical reason, the experience of the various regions in this field of endeavor and their desire to exchange experience with each other are more or less attributable to the smooth convening and success of this meeting.

/6662

CSO: 4006/398

AGGREGATE ECONOMIC DATA

BRIEFS

RURAL ENTERPRISES--China's village and town enterprises developed rapidly during the Sixth 5-Year Plan. Their total output value increased from 72 billion yuan in 1980 to 170.9 billion yuan in 1984, accounting for 17.8 percent of China's total industrial output value. [Summary] [Beijing Domestic Service in Mandarin 2230 GMT 6 Dec 85 OW] /6662

CSO: 4006/398

ECONOMIC MANAGEMENT

PAPER ON INDIRECT MACROCONTROL OF ENTERPRISES

HK061015 Beijing GUANGMING RIBAO in Chinese 23 Nov 85 p 3

[Article by Chen Jiyuan: "Indirect Macroeconomic Control and the Behavior of Enterprises"]

[Text] One of the important goals that our country's economic structural reform should realize is to gradually establish and perfect the system of indirect macroeconomic control. In order to realize this goal, it is necessary to satisfactorily handle the relations between the state and the enterprises. In the process of switching from direct to indirect control in managing our macroeconomy, handling the relations between the state and the enterprises is mainly aimed at enabling our indirect macroeconomic control to effectively guide, standardize, and coordinate the behavior of our enterprises and at enabling the behavior of our enterprises to meet the needs of the indirect macroeconomic control.

Two Related Aspects of the Goal of the Socialist Economic Structural Reform

There are two closely related and complementary aspects of the goal of our socialist economic reform: We should exercise necessary macrocontrol, as well as greatly strengthening the vitality of our enterprises. Only by so doing can our entire socialist economy be established on the foundation of a microeconomy full of vitality and be truly developed in a planned and proportional manner.

Over the past few years, our country's economic structural reform has mainly been focused on expanding the decisionmaking power of our enterprises and reinvigorating our enterprises. In doing that, we have grasped the major defect of the previous system, under which the state exercised an overrigid control over our enterprises and our enterprises became subsidiaries of the state's administrative organs. However, invigorating our enterprises should not be the only task of our reform. The gradual establishment of a system for exercising indirect control over our macroeconomy means the deepening of our economic structural reform and is, at the same time, a demand of the further enlivening of our microeconomy.

Enlivening the microeconomy is not in conflict with the exercising of necessary control over our macroeconomy. In general, controlling our macroeconomy should be satisfactorily combined with enlivening our microeconomy. The problem is what method of combination and what means of control we should adopt.

The actual situation of our microeconomy and the methods and means of our macroeconomic control should be suited to each other. Under the condition of gradually invigorating our microeconomy, we must also change the method of exercising direct control over our macroeconomy.

Enlivening Our Enterprises Requires a Transition From Direct Macroeconomic Control to Indirect Macroeconomic Control

Exercising direct control over our macroeconomy mainly by administrative means is tantamount to the previous practice of rejecting commodity economy and regarding our enterprises as subsidiaries of our government administrative organs.

After we have invigorated our enterprises on the basis of commodity economy, it is still necessary for the state to continue to exercise control and administration over the operation of our national economy and to preserve some administrative means. However, fundamentally speaking, developing commodity economy and invigorating our enterprises is in conflict with the exercising of direct control over our macroeconomy mainly by administrative means. After our enterprises have begun to possess certain degree of decisionmaking power and vitality in an environment of commodity economy, if we continue to adopt the method of exercising direct control by administrative means over the activities of our enterprises, then there will inevitably be the following consequence: either the direct macrocontrol will fail to work, or there will again be rigid control over our enterprises.

Through the reform, our enterprises have become economic entities that shoulder sole responsibility for their profits and losses, and there have already been profound changes in their relations with the state. Before the reform, the enterprises performed their bounden duty for the state and pursued their own interests through implementing the state's instructions. Now, our enterprises arrange their activities in production and operation in the light of market demand, and they increase their profits to provide more net revenue for the state in order to make greater profits to contributions to the state and at the same time provide more favorable conditions for their own development and for the improvement of the benefits for their staff and workers. Under these circumstances, though the enterprises continue to have the duty to implement the state's compulsory instructions, they are justified in refusing to respond effectively to the direct intervention of the state as they responded in the past.

The best method for the state to affect and guide the enterprises' activities in production and operation and to attain the goal of developing our national economy in a planned and proportionate manner is to adopt the method of indirect macroeconomic control mainly by economic means. The reason this

method is effective is because, by applying economic levers such as changes in prices, interest rates, tax rates, and exchange rates, we will affect the behavior of our enterprises, increase or reduce their profits, and, through their concern for their own material interests, urge them to consciously readjust their production and operation activities according to the orientation predetermined by the state and to attain the state's predetermined goal.

Establishing the State's Hard Budget Restrictions on Enterprises Is an Important Condition for the Effective Exercising of Indirect Macroeconomic Control

Whether our indirect macroeconomic control can be effective, and the extent of its effect, is determined not only by the degree of perfection of the system of indirect macroeconomic control itself, but also by whether our enterprises are able to promptly and effectively respond to this control in their behavior.

Fundamentally speaking, we should make our enterprises respond to the state's macrocontrol in line with the intention of the control. We should thoroughly reform the state's soft budget restrictions on our enterprises under the previous system. The pair of concepts concerning soft and hard budget restrictions were first put forward and used by Hungarian economist (Korner) [Ke Er Nai 4430 1422 1143], and have now been accepted by economists in an increasingly large number of countries. Soft budget restrictions denote a lack of relationship between the income and expenditure of an enterprise under the traditional socialist economy system in which there is no profit and loss responsibility system for enterprises. When an enterprise suffers a loss, it can always depend on financial support from the state. Therefore, it need not and will not respond to the state's policy decisions on macrocontrol. That is why switching the state's soft budget restrictions on enterprises to hard budget restrictions, in other words, changing the practice of enterprises "eating from the same big pot" of the state and making enterprises really shoulder sole responsibility for their profits and losses, is an important precondition for the effective exercising of indirect macroeconomic control.

In establishing a system of indirect macroeconomic control, we must thoroughly abolish the soft budget restrictions that have taken shape in the old system. Otherwise, we will not be able to realize our desire and goal of reform. The reason for this is too simple. When an enterprise suffers a loss because of poor administration and management, it can easily get compensation from the state in the form of preferential prices, tax reduction or exemption, low-interest or interest-free loans, and financial subsidies. An enterprise in debt can even repudiate debts due. This being the case, naturally an enterprise will not respond to changes in economic levers which may affect its operation. Then all the state's various efforts to use economic means to control total social demand and readjust the total volume of credit and the volume of money supply will be useless.

Switching from soft budget restrictions to hard budget restrictions is the core of the socialist economic structural reform. In order to establish a system of indirect macroeconomic control, we must adopt corresponding measures and change the relationship between the state and enterprises from one of soft budget restrictions to one of hard budget restrictions.

The Market Conditions Necessary for the Establishment of the System of Indirect Macroeconomic Control and for Changing the Behavior of Our Enterprises

The key to whether our economic levers can effectively affect and restrict the behavior of our enterprises is whether we have a perfect market system, namely, a system that consists of commodity market, technology market, capital market, and labor market. The market system is a necessary condition for the rational distribution of production resources and for funds to move to sectors of relatively high efficiency. At the same time it helps enterprises to strictly impose financial and economic discipline. If there is no such market system, changes in our economic levers will either fail to promptly issue signals to our enterprises or will give the wrong signals to them. As a result, our enterprises will not be able to make prompt response or will respond incorrectly. All this will hinder the realization of the goal of developing our national economy in a planned and proportionate manner.

Switching the state's soft budget restrictions on enterprises to hard budget restrictions also requires strengthening the role of market forces in order to put the production and operation activities of our enterprises mainly under the regulation of market mechanism. At present there are two relations of dependence regarding the enterprises in our country. On the one hand they rely vertically on the organizations at the upper level, and on the other hand, they rely horizontally on the market. Judging by the situation in quite a few enterprises, the vertical dependence on the state organs is greater than the horizontal dependence on the market. Therefore, it is impossible to thoroughly change the relationship of the state's soft budget restrictions on our enterprises.

In order to strengthen the role of market forces, we should adopt measures mainly in the following three spheres: First, we should carry out a reform of our pricing system, gradually make our prices rational, enable our relative prices to accurately reflect the degree of scarcity of the labor and resources consumed in producing the commodities, and thus give effective play to the role of prices in regulating the supply and demand of commodities. Second, we should gradually form a limited buyers' market, abolish the sellers' dominance over buyers caused by shortages of goods, and thus create preconditions for the application of economic levers and an organic combination between market and planning mechanisms. Third, we should have a competitive market structure and thus create an environment of relatively fair competition for our enterprises and enable our enterprises to begin from the same starting line in conducting competition.

What we need to point out is that, despite the fact that strengthening the role of market forces is an important condition for the establishment of a system of indirect macroeconomic control, market mechanism cannot determine the basic orientation of our economic development. In the process of

controlling the movement of our macroeconomy, market mechanism is only a major means to realize a predetermined goal. As for the predetermined goal, it is consciously decided by the state in the light of its understanding of the needs and possibilities of our economic development.

/6662

CSO: 4006/398

ECONOMIC MANAGEMENT

OFFICIAL ON CONSTRUCTION MANAGEMENT SYSTEM REFORM

OW080644 Beijing XINHUA Domestic Service in Chinese 1253 GMT 7 Dec 85

[Text] Beijing, 7 Dec (XINHUA)--After more than 5 years' effort, China has achieved considerable economic results in reforming the building industry and capital construction management system. Gan Zhijian, vice minister in charge of the State Planning Commission, urged all concerned to concentrate effort during the first 2 years of the Seventh 5-Year Plan period on digesting and improving those reform measures already taken, implement them in conjunction with other necessary supplemental measures, and take necessary steps to solve the prominent problems emerging in the course of reform, so that reform in this field could be carried out on a full scale.

At today's national symposium on the reform of the management system of the building industry and capital construction, Gan Zhijian said: In order to persist in carrying out reform in this field, we must follow the recent instructions of leading comrades of the State Council in improving the socialist loan system, bidding system, and overall economic responsibility system, and create a new way to improve the investment results of capital construction.

Gan Zhijian pointed out the major problems needing to be solved in carrying out reform in this field: Control over matters of principle and policy has not been kept in line with our efforts to delegate more management power to lower-level authorities; reforms in various sectors have not been well coordinated; we have met various policy problems and actual difficulties in carrying out reforms in the past; laxity in ideological and political work during the transition from the old to the new management system has introduced some new unhealthy tendencies.

Gan Zhijian put forward a few demands for continuing to improve reform measures and advance reform drive. He said: Every effort should be made to adopt an investment contract responsibility system for all key state construction projects within the next year, and a similar system should also be adopted as soon as possible for other large- and medium-sized projects. Banks will not appropriate funds for new key projects that have not signed an investment contract agreement, and contractors should make every effort to eliminate price hike factors. We should be determined to eliminate the contradictions, blockades, and monopolies existing among different regions,

sectors, and particularly among some big cities; promote an open bidding system, and take steps to protect competition. Organs in charge of bidding must maintain strict management and supervision over this work in accordance with established policies. We should continue our effort to change from fund appropriation for capital construction to a system of interest-attached loans, and appropriately adjust the policy governing the applicability of the "fund appropriation to loan granting" system.

Gan Zhijian also called for coordinated implementation of reforming the work in supplying capital construction materials, in organizing and setting up project contracting companies, and in establishing and perfecting organizations in charge of construction quality. He said: We should strictly examine the credentials of all survey and design units, and prohibit unlicensed design units from taking part in any design work and indiscriminately collecting design fees. Small state-owned construction enterprises may be run by collectives, and, where circumstances permit, some localities may put these enterprises under the joint management of the state, collectives, and individuals on a trial bases. Large- and medium-sized state-owned construction enterprises should simplify their organizations, limit the authority of their accounting units, and diversify their business areas. In implementing the system of contracting for a fixed amount of the output value of a project, attention must be paid to fixing a reasonable percentage of output value to be accomplished.

Regarding problems of construction quality deteriorating since the beginning of this year, and that some units and leading cadres have willfully over-estimated construction costs, tried to gain bonus by cheating, used coercion against consumers, and sought personal gains, Gan Zhijian emphasized that we must adhere to the socialist course and bolster the promotion of spiritual civilization in carrying out the reform of the management system of building industry and capital construction. He said all localities and departments concerned should take effective measures to set right the construction industry by taking the local situation into consideration, and all kinds of irregularities found must be strictly handled.

/6662

CSO: 4006/398

ECONOMIC MANAGEMENT

REFORM OF ECONOMIC MANAGEMENT ORGANS OF URBAN GOVERNMENTS

Beijing JINGJI GUANLI in Chinese No 10, 5 Oct 85 pp 16-19

[Article by Zhang Guoyao [1728 9048 3613]: "On the Reform of Economic Management Organizations of Urban Governments"]

[Text] The reform of the economic management organizations of urban governments is an important content of the reform of the urban economic structure. On the one hand, it is an important theoretical problem and on the other it is an important practical problem. To solve this problem, I believe that the key lies in having a full understanding of the pre-condition, task, and principle of the establishment of economic management organizations of urban governments. This article attempts to make some probing work in this connection, and to find some materials for everybody's discussion.

I. The Precondition for Establishing Economic Management Organizations of Urban Governments is to Suit the Objective Demands of Developing a Planned Commodity Economy

In mankind's history, the formation of cities and towns is the result of the prolonged historical development of commodity production and commodity exchange. An economic management organization of an urban government being an upper-layer structure, its establishment is not freely determined by mankind's subjective wishes but is determined by the nature and special features of the urban economy itself. This being the case, what are the nature and special features of our country's urban economy itself? In a word, as pointed out in the "decision of the CPC Central Committee on reform of the economic structure" a socialist economy is "a planned commodity economy." However, for a long time, in the economic life of our country we have not recognized an urban economy to be a planned commodity economy. Manifestation number one of this is that we have not treated the enterprise as a commodity producer with a relatively independent character and nor have highly regarded the decision-making power and economic interests of the enterprise and the staff members and workers. Manifestation number two is that we have not organized the economic network and development of the economy in accordance with the special features of the inherent liaison of commodities and the law governing commodity circulation. And manifestation number three is that we have not highly regarded the regulation role of the law of value or the employment of economic levers and the market mechanism.

As a result, in the establishment of the economic management organizations of urban governments, the organizations have not been established in compliance with the objective demands of a planned commodity economy. Despite that in the past the establishment of economic management organizations of urban governments in our country had gone through many changes and many ups and downs, this precondition has all along been overlooked. Hence, many drawbacks still exist in the establishment of the economic management organizations of urban governments. The principal ones are: 1) Non-separation between government and enterprise functions, government taking the place of the enterprise, and the enterprise becoming a subordinate of administrative organs. 2) Shortage of horizontal relations between government economic management organs, and lack of mutual cooperation, thus aggravating the state of regions and departments having spheres of dominance of their own, and impeding the development of specialized cooperation; 3) Proportionate imbalance in the establishment of government economic management organs, and the latter's insufficient functions. This is manifested in the commanding and executive organs being too large in size and the duplication in their establishment; and in the non-establishment of organs, which should have been established, for coordination, supervision, information and inquiries and in cases of their having been established they sadly lack in strength, being unsuited to meeting the demands of the development of urban commodity economy. 4) Unscientific planning of the functions of government economic management organs, as prominently seen in the duties and functions of the organs not being clearly defined and in their disputes over trifles. 5) The government economic management organs being too ponderous in size, there being too many layers of authority, and, in addition, the enterprises' lack of the decision-making power, naturally resulting in problems being handled not promptly, or handled in a manner which deviates from reality, and eventually in the outgrowth of serious bureaucratism.

In short, "all the existing phenomena in economic life of the demarcation or urban and rural areas, demarcation of regions and departments, redundant production, obstruction of circulation, multiple-headed leadership and holding each other up are related to the administrative management structure and the establishment of administrative organs." In the final analysis, all this is related to our overlooking and even refuting the planned commodity economy.

The emphasis on determining the establishment of government economic management organs in accordance with the objective demands of a planned commodity economy requires us to clearly understand that since urban economy is a commodity economy, we cannot treat it as equivalent to a "castle economy." As a commodity economy, its activities should not be again confined to the realm of regions and departments but should break the blockade fostered by regions and departments, and should expand its horizontal relations. By so doing, the all-round relations of urban economic activities will become daily more complex which determines that the upper edifice of commodity economy, namely, the government economic management organs, will be unable to grasp the process of the diversified forms and kinds of concrete economic operations and react to them promptly and suitably.

This explains why the function of the management of urban economic activities has the special characteristic of decentralization, that is to say, the power of daily production and operation activities belongs to the enterprise and the functions of government economic management are the eight clauses mentioned in the "decision of the CPC Central Committee on reform of the economic structure," which may be summed up in the following eight characters, meaning "planning, coordination, service and supervision." Hence, the establishment of the urban government economic management organs should conform with this special feature. Here, we must absolutely avoid the mis-interpretation that following the decentralization of urban economic management functions, the role of government economic management can be weakened and the organs can be abolished. This is because an urban government, in its capacity as the representative in the region of the socialist public ownership system of the means of production, must perform its economic management functions bestowed by the state, and this is determined by the nature of a socialist state. In emphasizing that we must adhere to the objective demands of a planned commodity economy in the establishment of urban government economic management organs, our purpose is to establish an economic management structure which can promote the development of productive forces, and which, on the one hand, possesses a high degree of unity and, on the other, a large degree of flexibility.

II. The Task of the Establishment of Urban Government Economic Management Organizations is to Suit the Demands of the Changes of the Managed Object, Namely, the Enterprise

The establishment of urban government economic management organizations is determined on the basis of the demands of the object under management.

In order to clearly understand what urban government economic management organs manage, let us analyze the principal part of urban economic activities - the condition of the economic operations of enterprises. We all know that following the expansion of the decision-making power of the enterprises, the enterprises are no longer the appendices of state organs, or pure-and-simple units responsible only for execution of the plan. Rather, they are independent commodity producers with the decision-making power in operations merging on the economic stage and beginning to look for, and set up, the style of their own independent actions. This change in the character of the status of the enterprise, which is the object of the economic management of urban governments, is the starting point of our analysis of the conditions of the economic operations of the enterprises.

The enterprises being a relatively speaking independent commodity producer, in order to enable its economic operations maintain a benign cycle, two large categories of conditions are necessary: one category consists of the internal conditions which the enterprise possesses all along and which are subject to its own disposition. Its main contents include all the man-power owned by the enterprise (quality of the leadership team and quality of the managing and technical personnel and production workers), material power (referring to the scale of the factory and its factory premises, machines, equipment, and so forth), production capacity and ability to develop new products, operation

and management level, and so forth. The other category consists of the conditions provided by its external environment which the enterprise itself has no way to control. Its main contents include the following four phases: first, conditions for balancing the macroeconomy; second, market conditions; third resources conditions; and fourth, public services conditions.

The above-mentioned external conditions for maintaining the enterprise's economic operations in a benign cycle possess a clear-cut special feature. It is that these conditions are absolutely necessary for the economic operations of the enterprise but the scope they touch upon and the scale of their effects far exceed the reach of a single enterprise. Hence, concretely speaking, the object of economic management of urban governments is management of the common external conditions necessary for the enterprise's economic operations. The target of government economic management is the creation of a benign external environment for the enterprises.

Therefore, the reform of the economic management organizations of urban governments cannot be confined to only streamlining the structure and streamlining the personnel, or doing patching up work, but a fundamental transformation should be carried out. Only by so doing is it possible for our economic management organizations or urban governments to render even better services to the enterprises.

III. Principles Governing the Establishment of Economic Management Organizations of Urban Governments: They Must Possess the Character of Being Systematic, Authoritative, and Able to Feedback

The establishment of economic management organs of urban governments belongs to the realm of management science. Starting from the angle of modern scientific management, the establishment of economic management organs of urban governments must, in principle, possess the characters of being systematic, authoritative and able to feedback.

1. Systematic character. The definition of system is that it is a composite structural body of many factors. Talking about being systematic lays stress on the structural character, purposeful character and composite character.

Urban government economic management organs should have a systematic character. Take for example, the planned management system in the economic management organ of an urban government. It has under it various sections and offices taking charge respectively of materials, capital construction, technical transformation, planning, and so forth. Their purposes and functions are all for the enforcement of planned management. However, a planned management system can only perform its functions of planned management through liaison and coordination with other systems such as the information research system, economic coordination system, economic regulation, supervision system and so forth. Contrarily, if it is relied upon to fight its battle alone, it is not possible to carry out any effective planned management of the highly complex economic activities.

2. Authoritative character. Authority implies the unification of wishes. Urban government economic management itself is imbued with authority.

Without such authority, it cannot effectively command, organize, coordinate and supervise the economic activities of the various enterprises and make them manifest a benign cycle. Following the changes in the economic status of the enterprises, management needs all the more to be authoritative in character. And in making urban government economic management possess an authoritative character, it is exceedingly necessary to scientifically establish urban government economic management organs, particularly those new composite management organs of an authoritative character. At present, one of the biggest drawbacks existing in the establishment of economic management organs of urban governments is the lack of an authoritative composite structure which can lead and coordinate in a unified manner. For example, regarding the relations between an urban government's economic committee and its various bureaus in charge, it is a matter of course that the economic committee has the power to coordinate the economic activities of the various bureaus in charge. However, in reality, because the economic committee and the various bureaus are of the same rank, it frequently happens that the bureaus do not submit to the economic committee's unified coordination. As a result, certain matters which clearly can be settled in a short time are allowed, because of disputes, to drag on for several years; and many measures which are rational and are beneficial to both the state and the people but which require cooperation and joint action cannot be carried out. Hence, in my opinion, when government establishes an economic management organ, it should strongly stress the power and authority of the composite management organ, thus reducing the delay to work caused by disputes. At the same time, the various bureaus in charge should gradually transfer their work of issuing daily administrative orders, which they did in the past, to the management organ which attends to coordinate between the industries and trades. This will be suited to the demand of developing horizontal relations among the enterprises.

3. The feedback character. This is a fundamental indicator of whether or not a management system possesses vitality. In modern scientific management, feedback is an exceedingly important concept in the theory of control. So-called feedback is reversion of the results in the enforcement and practice of the leadership's policy decision, so as to compare with the original targets of the policy, thereby affecting, and playing the role of regulation and control vis-a-vis, the formation of the next policy and so that the latter policy will not deviate from the planned target. In the process of economic management, feedback's principal role is to produce reaction to the objective changes caused in the enforcement of the preceding economic decision and thereby makes the necessary proposals for a relevant new economic decision.

As we all know, the largest special feature of modern urban economic activities is their complex and ever-changing character. Under such conditions, in so far as urban government economic management is concerned, no policy is entirely faultless or forever workable. Naturally, we need not fear that our own policy is not perfect and that it may have errors. The point is that if we have a sensitive, correct and forceful feedback, an imperfect policy can be perfected through feedback from actual practice, and an erroneous policy can be converted into a correct one through prompt rectification. Decision-enforcement - feedback - revision - re-decision -- re-enforcement -- re-feedback Thus, an ever-rising cycle can continuously improve and perfect

management work, thereby enabling urban economy to continuously develop in a benign cycle. Unfortunately, at present, there are still many urban governments which in their establishment of an economic management organ provide for a policy-making organ, an enforcement organ, and a regulation and supervision organ but frequently no feedback organ, or, even though provision is so made, the feedback organ is not given sufficient power. As a result, the structure of the urban government economic management organ is distorted. In accordance with an analysis of the above-mentioned points, in my opinion, the basic pattern for the establishment of an urban government economic management organ is as follows:

STRUCTURAL CHART OF URBAN GOVERNMENT ECONOMIC MANAGEMENT ORGANIZATIONS ECONOMIC COMMITTEE

- I. Economic information research office:
 1. Information section
 2. Statistics section
 3. Investigation and research section
 4. Inquiries section
- II. Planned management office:
 1. Materials section
 2. Capital construction investment section
 3. Energy section
 4. Technical transformation section
 5. Labor personnel section
- III. Economic coordination office:
 1. Industry and trade federation section
 2. External economic cooperation section
 3. Internal economic cooperation section
- IV. Regulation and supervision office:
 1. Finance bureau
 2. Taxation bureau
 3. Banks
 4. Commodity prices bureau
 5. Industrial and commercial administration & management bureau
- V.
 1. Construction materials companies:
 - a) Enterprise A
 - b) Enterprise B
 2. Electronics companies:
 - a) Enterprise A
 - b) Enterprise B
 3. Silk filature companies:
 - a) Enterprise A
 - b) Enterprise B
 4. Chemical companies:
 - a) Enterprise A
 - b) Enterprise B
 5. Textile Companies:
 - a) Enterprise A
 - b) Enterprise B
 6. Machine-building companies:
 - a) Enterprise A
 - b) Enterprise B

(And so on)

The economic committee is the highest management organ in the economic leadership work of urban governments. It should be constituted by the responsible persons of the relevant economic departments of urban governments. Its functions consist of overall planning, coordinating, supervising and servicing urban economic work, thus to ensure the normal progress of urban economic activities. The problems to be solved here are mostly of a ruling or adjudication nature, with the emphasis laid on centralization and unification and the organization should be highly prestigious. Under it, there are four large composite economic management structures:

1. Economic information research office. Its functions consist of taking charge of research on urban socio-economic development strategies and research projects assigned by the state and provincial relevant departments; it investigates, studies and offers solution for current important economic topics, organize the relevant departments and specialists for consultation and discussion, and suggests various kinds of enforcement plans for selection; it performs the job of collecting, adjusting and processing various kinds of information for supply to various relevant departments and enterprises for reference; it organizes within the city research and exchange of economic knowledge and is responsible for organizing, guiding and forming into a network research projects forwarded by the city's relevant specialized economic research organs.

2. Planned management office (or committee). Its functions consist of forwarding in a unified manner to the city's specialized companies or factories plans sent below from the state and province; it formulates medium-term and long-term plans for the national economy and social development; and it performs the jobs of making composite planning for city construction, handling and managing the mandatory plans and correctly formulating the guidance plans.

3. Economic coordination office (or committee). Its functions consist of the following: Both inside and outside the urban area, to earnestly perform a good job in reconstructing and banding together industrial enterprises and promoting economic intercourse between the various industries, trades and enterprises, centering on backbone enterprises, products of well-known brands and comprehensive use of materials in combination with the nature and special features of the local area; to manage, in a unified manner, matters concerning technology, funds and introduction of equipment in opening to the outside, matters relating to various kinds of joint operation with foreign merchants and matters concerning imports. Here, we should stress the role of the industry and trade federation. Its main function is to exercise control over the enterprises of the industries and trades within the urban area, but it does not directly manage the enterprises' affairs concerning personnel, finance, materials, production, supply and marketing.

Rather, its principal functions are to formulate long-term and current or short-term plans for the local industries and trades, provide the enterprises with various kinds of technical information and inquiry services, promote reorganizations and merges within the local industries and trades, assist the enterprises in training various kinds of specialized personnel, organize various kinds of technological exchanges and interflow of management experiences between the enterprises and carry out technological and economic evaluations.

4. Economic coordination office (or committee). Its function consists of constantly studying and deciding on problems relating to the comprehensive use of economic levers. This is to say, within the prescribed scope of the state guidelines and policies and the relevant ordinances and regulations, and working with the financial, taxation, banking, commodity prices and industrial and commercial administrative control departments in accordance with the urban economic development needs, it formulates certain local flexible measures to invigorate the economy, and employs various economic levers such as pricing, credit and loan, taxation, and so forth, to regulate the economic activities of the localities; and at the same time coordinate, in a unified manner, the activities of the various organs, and exerts powerful supervision over the entire economic operation condition of the city, principally strengthening financial supervision, planning supervision, market supervision, and loan and credit supervision.

/12929

CS0: 4006/395

FINANCE AND BANKING

SHANDONG CONDUCTS GENERAL TAXATION, FISCAL INSPECTION

SK280517 Jinan Shandong Provincial Service in Mandarin 2300 GMT 27 Nov 85

[Excerpts] The provincial general taxation and fiscal inspection has been carried out in a solid, deep, and smooth manner. Notable achievements have been made in the inspection work.

As of mid-November, 320,000 state and collective enterprises, administrative institutions, township- and town-run enterprises, village-run enterprises, and individual households have carried out self- and mutual-inspection or have been inspected by specialized groups. A total of 403 million yuan in finds acquired by violating economic and financial discipline have been discovered, 2.7 times more than that of last year. So far cases involving 290 million yuan of illegal funds have been concluded, and these funds will possibly be returned to the state. A total of 166 million yuan of illegal funds have been returned to the state.

The province has done a good job and scored notable achievements in the general taxation and fiscal inspection. The main reasons are as follows:

First, CPC committees and governments at all levels have paid attention to and adopted better organizational measures for the inspection work.

Second, the province has done a better job in propaganda and mobilization work. Propaganda and mobilization work has been carried out in an early, deep and extensive manner.

Third, the province has adopted clear and definite methods and steps and effective measures for conducting the inspection work.

However, many problems exist in our province's general inspection work.

First, progress in the inspection work is not balanced. More than 90 percent of the units in some areas that should be inspected have carried out self- and mutual-inspection, while less than 70 percent of the units in some areas that should be inspected have carried out this work. In some areas more than 40 percent of the units that should be inspected have been inspected by specialized groups, while some areas have only inspected less than 2 percent of the units that should be inspected.

Second, some areas have not placed the general inspection work on the main work agenda. Leaders, though they assume leadership, show no concern over the inspection work. Unqualified specialized inspection personnel have failed to meet the demands of the general inspection work.

Third, some areas have failed to handle the problems that have been discovered through inspection in accordance with the unified policy set forth by the central authorities and the province. Some have denied their problems. Some did not report reality to the higher levels.

Fourth, assessing this general taxation and fiscal inspection, the inspection of taxation has been better than that of financial affairs, and the inspection among enterprises has been better than that among administrative institutions.

/6662

CSO: 4006/375

FINANCE AND BANKING

FINANCE MINISTRY CITED ON TAX CRACKDOWN RESULTS

HK100851 Beijing CHINA DAILY in English 10 Dec 85 p 3

[Text] The nationwide tax crackdown launched last October has resulted in uncovering tax evasions totalling nearly 2.8 billion yuan, according to the Ministry of Finance.

By last month, 1.65 billion yuan had been paid to the state treasury by the enterprises involved, the ministry's spokesman revealed.

The first stage of the inspection drive, during which the enterprises were required to examine their own accounts or the accounts or related enterprises, has almost concluded. This month, the drive entered its second stage, focusing on state inspection of key enterprises, the spokesman said.

Anhui Province has been cited by the ministry as outstanding in the provincial tax-inspection drive, which was personally handled by its provincial governor. The Anhui Steel Corporation has voluntarily declared and paid 2.39 million yuan in evaded taxes through self-inspection under the guidance of the provincial leadership.

The other provinces or municipalities praised by the ministry include Guangdong. Liaoning Province and Beijing City, which have all made marked progress in retrieving evaded taxes as soon as the cases were verified. [as received]

Liaoning Province has already recovered 144 million yuan out of a total of 231 million yuan of evaded taxes discovered during the inspection. Beijing has also retrieved most of the 134 million yuan of taxes verified as evaded thus far.

The State Council has, meanwhile, decided to set up "auditing offices" in the provinces and "auditing agents" in the country's key enterprises to enforce regular financial inspection, according to the PEOPLE'S DAILY.

The provincial auditing offices are under the direct control of the State Auditing Agency and have the authority to inspect and report local violations of financial discipline to the state agency, according to the decision. They are also authorized to override such orders of the provincial government, which run counter to the decisions of the State Auditing Agency, it said.

The State Auditing Agency, according to the State Council decision, will dispatch its auditing agents to stations in Shanghai, Shenyang, Wuhan and Guangzhou cities beginning next year to make on-the-spot inspection of financial discipline in these major cities. Such agents will also be stationed at a number of key state-owned enterprises to carry out regular financial inspection, the newspaper said.

The State Council has urged the provincial governments to give their unre-served support to the work of the auditing agents.

/6662

CSO: 4020/124

FINANCE AND BANKING

TIANJIN HOLDS MEETING ON TAX, FISCAL INSPECTION

SK220515 Tianjin City Service in Mandarin 0030 GMT 22 Nov 85

[Text] The self- and mutual-inspections on taxation, financial affairs and commodity prices have comprehensively been launched across the municipality. Initial successes have been made in this work.

According to statistics, as of the end of October, of the local state and collective enterprises and the administrative institutions across the municipality, more than 55,000 launched self-inspection, and more than 13,000 mutual-inspection. More than 50 million yuan of funds gained by violating the financial and economic discipline that should have been returned to the state have been discovered. Of the illegal funds, more than 28 million yuan have been returned to the state.

Through the self- and mutual-inspection on taxation, finance, and price during the past 2 months, the broad masses of cadres and staff and workers have generally received a profound education on implementing policies and abiding by discipline and the law, and further understood the necessity of launching this general inspection. Through the self- and mutual-inspection work, the problems of violating the law and discipline in the economic field such as evading taxes have been uncovered. The inspection work has also brought about comparative advantages in strictly enforcing the financial and economic discipline, stopping all loopholes, and eliminating unhealthy practices.

On 21 November, the municipal leading group in charge of the general inspection on taxation, finance, and prices held a report meeting on the general inspection on taxation, finance, and price.

The municipal textile bureau, foreign trade bureau, metallurgical bureau, and housing administrative bureau introduced their situation of conducting the self- and mutual-inspection work.

Li Changxing, vice mayor of Tianjin Municipality; and (Hu Junyang), chief of the group in charge of the taxation, financial and price inspection work dispatched to Tianjin by the State Council, attended and addressed the meeting.

/6662

CSO: 4006/375

FINANCE AND BANKING

GANSU CIRCULAR ON RUSHING TO SPEND MONEY AT YEAR'S END

HK291346 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 26 Nov 85

[Text] The provincial people's government recently issued a circular, demanding that all places and departments step up the organization of financial revenue and strictly prohibit people from rushing to spend money at the end of the year.

The circular points out: The situation in financial revenue and expenditures in our province this year is good. With a view to guaranteeing a balance of financial revenue and expenditures for the whole year, all places and departments must now lay stress on four aspects of work:

1. It is necessary to do a good job in increasing production and practicing economy to ensure increased production and income. All departments must take measures to reduce consumption and vigorously fulfill and overfulfill their quotas for submitting taxes and profits to the state. Moreover, they must continue to do well in reducing deficits and increasing surpluses. The enterprises which incur losses due to poor management must not exceed the originally prescribed quotas for losses.
2. It is essential to carry out well the large-scale inspection of revenue and financial work from start to finish and to really correct the practices of indiscriminately apportioning expenses, increasing the ratio of retention without authority, changing the method of retention, and enlarging the scope of retention which violate financial and economic discipline.
3. It is imperative to strictly control expenditures and to prevent people from rushing to spend money at the end of the year. Beginning now, in principle, additional expenses must not be made. The financial departments must strictly control nonproductive expenses. Banks at all levels must do well in grasping the large-scale inspection of cash, strengthen supervision of accounts, and do auditing work well. All units are not allowed to transfer state funds in the form of for goods or paying deposits in advance.
4. It is necessary to strictly enforce financial and economic discipline. It is essential to severely deal with those who practice fraud, privately

share commodities, indiscriminately issue bonuses, materials, and subsidies, give dinners and gifts, violate financial and economic discipline, and rush to spend money at the end of the year. The responsibility of leaders concerned must be investigated and affixed. Corresponding punishment must be meted out where necessary.

/6662

CSO: 4006/375

STATE COUNCIL APPROVES REPORT ON AUDITING

OW081117 Beijing XINHUA Domestic Service in Chinese 0155 GMT 8 Dec 85

[Text] Beijing, 8 Dec (XINHUA)--The State Council recently approved and distributed the "Report on Improving Leadership over Local Auditing Work and on Issues in Setting Up Agencies" submitted by the Auditing Administration, and notified the departments concerned in various localities to implement this report.

The report of the Auditing Administration said: In order to help auditing organizations become relatively independent organizations, the Auditing Administration will further strengthen its leadership over local auditing work. The Auditing Administration will set up some agencies in some major districts or key enterprises.

This report contains the following main points:

1. Improve leadership over local auditing work. In order to ensure that the auditing organs at all levels may independently exercise their power in supervising auditing work according to law, the Auditing Administration makes the following provisions for strengthening its leadership over local auditing work:

(a) The local auditing organs must implement the decisions and regulations made by the Auditing Administration on auditing work in accordance with the guidelines and policies of the state. It is necessary to act according to the decisions or regulations made by the Auditing Administration on auditing work, if those made by the local government differs from those of the Auditing Administration.

(b) The local auditing organs must earnestly implement the auditing plans formulated by the Auditing Administration and carry out the auditing work for various trades in the country, special auditing projects, and auditing assignments designated by the Auditing Administration.

(c) The situation in doing auditing work by the auditing bureaus of various provinces, autonomous regions, and municipalities under the direct administration of the central government and major problems in violation of party discipline and other relevant documents and reference materials must be timely reported to the Auditing Administration.

(d) The Auditing Administration has the authority to correct the improper decision or conclusion made by a local auditing organ.

(e) All conclusions and decisions on auditing work made by any local auditing organ that affects the revenues and expenditures of the central government or conclusions and decisions made by any local auditing organ in handling auditing assignments designated by the Auditing Administration must be reported to the administration for the record. Prior approval must be obtained from the Auditing Administration for any decision made in handling an important case.

(f) Prior agreement must be obtained in appointing, dismissing, transferring, or taking disciplinary action against any auditing bureau director or deputy director in a province, autonomous region, or municipality under the direct administration of the central government.

2. The Auditing Administration will set up its agencies in some major districts or key enterprises. During 1986, it will send specially appointed auditors to Shanghai, Shenyang, Wuhan, Guangzhou, and other cities and a few large-sized enterprise under the control of the central government to carry out auditing and supervisory work on a trial basis within the authorization given by the Auditing Administration. They are responsible to the Auditing Administration. The specially appointed auditors will be assigned by the Auditing Administration. An office will be set up under the leadership of the specially appointed auditor to handle specific work for auditing. As for the dispatch of specially appointed auditors in other areas, such issues must be brought up by the Auditing Administration and discussed with the relevant departments according to work conditions and requirements.

To improve leadership over local auditing work and set up agencies is an important measure in strengthening auditing work. The local people's governments at all levels must continue to strengthen their leadership over auditing work, vigorously support the work of auditing organs, and help them solve the actual problems in doing their work.

/9738

CSO: 4006/396

FINANCE AND BANKING

ICBC BRANCH IMPROVES CREDIT LOAN BUSINESS

OW081335 Beijing XINHUA Domestic Service in Chinese 0036 GMT 8 Dec 85

[Excerpts] Hefei, 8 Dec (XINHUA)--The Fuyang Branch of the Industrial and Commercial Bank of China [ICBC] has enlivened its credit loan business this year after tightening the money market and controlling credit loans.

By the end of November, the branch had increased its loanable funds by 13 percent over the same period of 1984 and its loans by 20.7 percent to a cumulative total of more than 540 million yuan.

Last year the bank took various measures to make more funds available for loans. Under a savings arrangement with 36 depositor-enterprises, it expedited the flow of their funds to increase the amount of savings. By the end of November, favorable balances of all kinds of accounts had increased by more than 19 million yuan, up 21.4 percent from the same period of 1984. Through the cash control facilities it had established in 547 units, the bank was able to tighten the procedures involved in screening requests for large sums of cash, wages, and bonuses, and control the circulation of money. By the end of November, the net amount of funds withdrawn from circulation had reached 96.84 million yuan, up 18.8 percent from the same period of 1984.

With adequate funds available for loans and in accordance with the needs of economic structural reform and economic development, the bank has extended its credit loan business to include retail outlets, economic entities, sales exhibitions, and collective-run service trades, thereby promoting economic prosperity.

/9738

CSO: 4006/396

FINANCE AND BANKING

HONG KONG PAPER LISTS NEW HEAD OFFICE PERSONNEL OF BANK OF CHINA

HK240756 Hong Kong WEN WEI PO in Chinese 23 Nov 85 p 1

[Dispatch from correspondent Cheng Hsiang [4453 5046]: "Personnel Reshuffle in Head Office of Bank of China"]

[Text] In order to increase its strength, the sixth joint conference of the 4th auditorial committee of the Board of Directors of the Bank of China announced a big personnel reshuffle today: The increase of six new managing directors and six directors to its Board of Directors. Huang Diyan [7806 3321 1484], who is now working for the Hong Kong and Macao branch of the Bank of China, is promoted managing director.

The six new managing directors are:

Chi Haibin [6688 3189 3453]: vice minister of finance;

Chen Xian [7115 0341]: deputy director of the State Planning Commission;

Yin Jieyan [3009 0094 3508]: secretary-general of the Council of the People's Bank of China;

Ling Zhi [0407 1807]: vice president of the Bank of China;

Lei Zuhua [7191 4371 5478]: vice president of the Bank of China;

Huang Diyan [7806 3321 1484]: director of the Hong Kong and Macao Management Office of the Bank of China;

The six new directors are:

Huang Jun [7806 0193]: vice president of the Industrial and Commercial Bank of China;

Zhang Wenqi [1728 2429 3825] (female): vice president of the Agricultural Bank of China;

Dai Ganding [2071 0051 1353]: general manager of the London Branch of the Bank of China;

Zhou Zhenxing [0719 2182 5281]: general manager of the New York Branch of the Bank of China;

Huang Yinchu [7806 5593 0443]: president of the Guangzhou Branch of the Bank of China;

Xue Jingzheng [5641 6975 6086]: president of the Shanghai Branch of the Bank of China.

After the conference, a spokesman for the Bank of China told reporters that the big personnel reshuffle will be conducive to bringing into full play the role of the Bank of China which specializes in the state foreign exchange business--improving its service, expanding its business, strengthening its administration and highlighting its prestige.

/6662

CSO: 4006/375

FINANCE AND BANKING

ASIAN DEVELOPMENT BANK POSTPONES ANNOUNCEMENT ON PRC APPLICATION

HK270400 Hong Kong AFP in English 0352 GMT 27 Nov 85

[Text] Manila, 27 Nov (AFP)--The Asian Development Bank (ADB) has postponed until tomorrow the announcement of its decision on China's application for membership, a spokesman said today.

The bank was due to make the statement at 0800 GMT today, but high officials decided to postpone it for undisclosed reasons, ADB spokesman Reynaldo Pacheco told AGENCE FRANCE-PRESSE.

He refused to answer when asked if this meant a change in the decision, saying only that "I just got word from one of the bank's officials" about the postponement. He firmly refused to give any hint on what kind of decision the institution has taken on the issue, or if the decision was final, but confirmed that the ADB board met yesterday.

Chinese Embassy sources here confirmed that at least two officials of the People's Bank of China are in Manila. The ADB spokesman said he did not know if they had met with ADB officials.

Taiwan, a founding member of the 18-year-old ADB which now has 31 Asia-Pacific and 14 European and North American member nations, has strongly opposed China's application, bankers say.

The ADB's leading funders are Japan and the United States. It gives ordinary and concessional loans to its 28 developing member countries, with total 1984 lending placed at 2.234 billion dollars.

/9604

CSO: 4020/118

FINANCE AND BANKING

TRAVELLERS CHECK MARKET DEVELOPS RAPIDLY

HK220447 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement)
in English 22 Nov 85 p 3

[Article by Cecilia Lo]

[Text] The China market for travellers cheques has been developing quickly in recent years in keeping with the growing number of visitors to the mainland, said the director and general manager of London-based Thomas Cook Financial Services Ltd, Mr W. Scott Thomson. Mr Thomson, who is in Hong Kong, said the expansion of travellers cheques in Asian markets has generally slowed down in the past 2 years due to the decline in the world economy.

But China remains a potentially vast market and efforts are being made to further promote the use of travellers cheques, not only by visitors but by Chinese Government delegations and trade missions travelling abroad.

Mr Thomson said he has talked with senior Chinese officials on ways to extend the use of travellers cheques in the country, including the issue of renminbi travellers cheques, during a recent visit to Beijing. He does not rule out the renminbi issue possibility, but this needs to be done in cooperation with the Bank of China and will be a long process.

Thomas Cook has cooperated with the BOC [Bank of China] to issue specially-designed U.S. dollar travellers cheques.

Mr Thomson said sales had soared more than 100 percent since they were launched early last year. Now 35 BOC branches on the mainland act as agents for the cheques. Mr Thomson expects the number of sales outlets to increase as more foreign banks are permitted to open branches in the special economic zones.

He conceded credit cards could be a major competitor to Thomas Cook travellers cheques, but as card holders are confined to a credit limit and the process for using the cards is quite complicated in China, he says the cheques still have the edge.

According to Mr Thomson, Thomas Cook is the world's largest issuer of travellers cheques outside the United States with projected sales of more than U.S.\$5 billion for this year.

In the Far East, Thomas Cook's market share is about 28 percent while in Hong Kong it owns about 35 percent of the travel money market, issuing in 11 kinds of currencies.

On a global basis excluding the United States the market share of Thomas Cook travellers cheques for this year will reach 30 percent.

There is still a big market in Asia that has yet to be tapped, believes Mr Thomson, but the determining factor is the ability to persuade people not to take cash.

The company has recently launched travellers cheques denominated in European Currency Units (ECUs) which is a basket of European currencies weighted according to the relative strength of the various contributors.

Mr Thomson said of Thomas Cook's 30,000 agencies worldwide, about 1,000, mostly located in Europe, have already taken up stock in ECU travellers cheques.

He admitted that it will take time for people to be aware of the ECU cheques.

In Hong Kong, a number of banks, including the Hong Kong Bank, are considering becoming agents for ECU travellers cheques. Mr Thomson said he expects a number of them to be selling the cheques by early next year.

He predicted the volume of ECUs on a worldwide basis will grow at a rate of 5 percent a year.

/9604

CSO: 4020/118

FINANCE AND BANKING

CHINA HAS ABSORBED \$5.4 BILLION FOREIGN CAPITAL DURING PAST 6 YEARS

HK291019 Beijing ZHONGGUO XINWEN SHE in Chinese 1522 GMT 25 Nov 85

[Report: "China Has Actually Absorbed Foreign Capital of About \$5.4 Billion Over the Past 6 Years"]

[Text] Xiamen, 25 Nov (ZHONGGUO XINWEN SHE)--Shi Lin, advisor to the Ministry of Foreign Economic Relations and Trade, announced here today that during a period of 6 years since 1979, China has actually absorbed foreign capital of about \$5.4 billion.

Shi Lin expressed the remarks to Chinese and foreign economic personages at the opening ceremony of a meeting aimed at promoting investment in Fujian, jointly held by the Fujian People's Government and the UNIDO [United Nations Industrial Development Organization] in Xiamen. He added that over the past 6 years, China has promoted rapid progress in absorbing direct investments from foreign countries. Up to September this year, China has signed 7,030 contracts with foreign investors, involving foreign capital of \$14.7 billion.

It has been learned that of these investment projects, there are 1,897 enterprises based on Sino-foreign ventures. Besides, 3,408 enterprises are run by China in cooperation with foreign investors. There are 109 enterprises which are solely run by foreign capital. There are 30 items of off-shore oil exploitation based on cooperation between China and foreign investors, and 1,585 items of compensation trade.

According to statistics compiled from January to September this year, China has made new progress in absorbing foreign capital, and 2,197 contracts have been signed, involving \$4.1 invested by foreign enterprises. More than \$1 billion has been actually used.

While talking about the problems of implementing policies aimed at encouraging foreign investment, and enacting and perfecting laws and regulations on economic and trade relations with foreign countries, Shi Lin said that China has so far promulgated more than 50 specific laws and regulations, signed investment protection agreements with 5 countries and signed agreements with 5 countries on avoiding dual taxation. Some other agreements are under discussion.

/6662

CSO: 4006/375

FINANCE AND BANKING

BEIJING COMPANY INSURES FOREIGN-FINANCED PROJECTS

OW260832 Beijing XINHUA in English 0803 GMT 26 Nov 85

[Text] Beijing, 26 Nov (XINHUA)--The Beijing City Insurance Company has opened a dozen new policies for enterprises and projects involving foreign investment.

These include insurances against losses during goods transport, machine failure, risks in construction, loss of life and property, disruption of business and theft.

The company has also worked out policies for tourist hotels which include indemnity for all accidental losses from the construction period through to the opening of the hotel.

It practices international standards for these policies, said General Manager Wang Yuquan in an interview with XINHUA today.

During the first 9 months of this year it collected premiums amounting to U.S.\$900,000 from 84 jointly invested tourist hotels, enterprises and agencies of foreign firms in Beijing, as against \$30,000 in 1980.

Last September, the Great Wall Hotel received U.S.\$15,000 from the local insurance company to cover damage caused by a burst water pipe.

Beijing insurance companies also cover against lawsuit damages.

/9604

CSO: 4020/118

FINANCE AND BANKING

CITY IN SICHUAN PROVINCE INCREASES REVENUE

OW031741 Beijing XINHUA in English 1459 GMT 3 Dec 85

[Text] Chongqing, 3 Dec (XINHUA)--All-round reforms have enabled Chongqing, the biggest industrial city in southwest China, to achieve a nearly 32 percent increase in revenue in the first 10 months of this year. The city's revenue amounted to 1.47 billion yuan during the January-October period and is expected to reach a total of 1.56 billion yuan by the end of this year, an official of the city finance bureau said here.

The city, in Sichuan Province, is among the first areas in China to try out all-round economic reforms. Its revenue had stood at 1.1 billion yuan annually for 4 years in a row before its reform program started 2 years ago. With greater decision-making powers granted by the government, enterprises now have more funds at their disposal to upgrade technology and equipment, the official said.

State-owned factories spent 600 million yuan on 197 modernization projects last year, resulting in an extra output value of 580 million yuan. As a result, they have paid more taxes to the government this year, contributing heavily to the city's increased revenue.

In addition, Chongqing has opened its doors to the rest of the country since last year, in a bid to break down regional barriers and achieve common prosperity. Now, 500 firms from elsewhere are doing business here.

Meanwhile, the influx of products from other parts of China has spurred local factories to enhance the competitiveness of their goods by increasing variety and design, and improving quality, the official noted.

Moreover, local military factories have helped increase their revenue by developing hundreds of products for civilian use over the past few years, he said.

/9604

CSO: 4020/118

FINANCE AND BANKING

SHANDONG REPORTS RISE IN URBAN CONSUMPTION LEVELS

SK230810 Jinan DAZHONG RIBAO in Chinese 9 Nov 85 p 1

[Text] While having their income increase substantially, urban residents have also raised their consumption level. Per-capita living expenditures were 522.97 yuan in 1974, and are expected to reach about 650 yuan this year, registering a 64.1-percent increase over 1980, and averaging an annual increase of 10.4 percent. The improvement in the consumption level has been followed by a series of changes in consumption patterns.

The consumption of foodstuffs has changed from "stale foods" to "nonstaple foods."

The "Sixth 5-Year" Plan period has witnessed great development of industrial and agricultural production, and an increase in the supply of foods. With increased income, people have begun to eat better food. Consumption of the staple food--grain--has declined, and that of nonstaple foods and other nutritious foods has risen every year. Per-capita food expenditure was 312 yuan in 1984, and is expected to reach 370 yuan this year, showing a 62-percent increase over 1980, averaging an annual increase of 10 percent. Expenditures for nonstaple and other foods has increased from 72 percent in 1980 to more than 80 percent, and that for staple foods has declined from 28 to 20 percent. Some high-protein and low-fat nutritious foods are loved by urban residents. From 1980 to 1985 the average annual consumption of beef and mutton, poultry, fresh eggs, fresh vegetables, fruits, fresh milk, and canned foods increased by about 10 percent. The average increase of eggs was the greatest, about 16 percent.

The "Sixth 5-Year" Plan period has also witnessed changes in the direction of the people's purchases. Following the increasing thriving of farm and sideline product markets and trade fairs, urban residents have changed the major source of goods from commercial departments to farm and sideline product markets, individual stalls, and various other channels, thus expanding their selection and bringing convenience into their lives.

/6662

CSO: 4006/375

FINANCE AND BANKING

SHANDONG REPORTS RISE IN INCOME URBAN HOUSEHOLDS

SK230805 Jinan DAZHONG RIBAO in Chinese 8 Nov 85 p 1

[Text] During the "Sixth 5-Year" Plan period, industrial and agricultural production, and various other economic undertakings have developed at a fairly quick rate. The average annual increase in the income for living expenses of urban households is 12.9 percent. When allowing for price rises, the actual annual increase is 9.9 percent.

1. The Standard Wages of Staff Members and Workers Has Increased.

In 1981 and 1982 the state raised the grades on the wage scale for staff members and workers of cultural, educational and health units, state organs, scientific research organs and institutes. In October 1983 and in the latter half of 1984, enterprises readjusted their wages. In addition, many units have enforced the floating wage system over the past few years. All this has enabled the standard wages of staff members and workers to increase substantially. The per-capita income was 399.94 yuan in 1984, and is expected to reach 497 yuan in 1985, showing an increase of 193.6 yuan, or 63.8 percent, over 1980.

2. The Bonus Income of Staff Members and Workers Has Increased.

The bonus income of staff members and workers has increased fairly greatly over the past few years thanks to further implementation of the principle of distribution according to work. The average bonus income of every urban resident was 79.91 yuan in 1984, and is expected at nearly 100 yuan, showing an increase of 60 yuan, or 150 percent, over 1980.

3. Non-wage Subsidies and Other Income That Staff Members and Workers Earned From Their Work Units Have Increased.

When relaxing control over the prices of meat, poultry, eggs and vegetables in May, our province has also issued 4 to 5 yuan of price subsidy to every staff member and worker. In addition, most units have issued additional money for their staff members and workers to cover cleaning, haircuts, and periodical and newspaper subscriptions. This has enabled urban households to increase their income.

/6662

CSO: 4006/375

FINANCE AND BANKING

LIAOWANG DISCUSSES REFORM OF PRC INSURANCE SYSTEM

HK091125 Hong Kong LIAOWANG Overseas Edition in Chinese No. 4, 2 Dec 85
pp 14-15

[Article by reporters Li Shiyi [2621 0013 5030] and Wu Ming [0702 2494]:
"New Proposals on Reforming China's Social Insurance System"]

[Text] Along with the development of economic reform in the cities and countryside and social progress, China will also reform its social insurance system. This reform is already included in the items of the Seventh 5-Year Plan. Recently, some Chinese economists and sociologists gathered in Beijing and put forward some new proposals on reform of the current social insurance system. The following are some of the proposals:

- to reform the insurance system for retired staff and workers;
- to establish an insurance system for unemployed workers;
- to reform the medical insurance system for staff and workers;
- to establish a social insurance system for self-employed workers in cities and towns and for rural laborers; and
- to promote social welfare services.

Chinese Premier Zhao Ziyang once said: "The problem concerning social insurance is one which has been naturally formulated in the reform and which needs to be reformed completely." He demanded that relevant departments of the State Council work out plans for this.

Ensuring the basic life of the citizens and achieving stability is a troublesome problem for all governments.

How should China appraise its previous insurance systems and establish new ones?

Expand the Range of Social Insurance, Work for Social Progress

Old China was unable to provide social insurance for its citizens. But New China has performed its obligations very well. As early as in 1951, the Council of State Affairs (predecessor of the State Council) promulgated New China's first legislation on social insurance. After that, it continued to promulgate various regulations on social insurance. Through our past efforts over more than 30 years, a very good foundation has been laid in this respect. It includes the following five aspects: social insurance (labor insurance), social welfare, social relief, public medical insurance and public health, and preferential treatment and pensions for service, their families, and the families of martyrs. There are also explicit stipulations in China's Constitution on social insurance.

The social target pursued by the people's China is "to enable old people to live happily in their remaining years, people in the prime of life to fully display their ability, and children to grow up healthily; and to provide for widowers, widows, orphans, childless people, and the disabled." So far, in a country with low revenue but a large population of 1 billion, in light of its national situation, China has made the first step in ensuring the primary living standard of its citizens. In the cities, it has provided more than 110 million laborers with stable jobs and all kinds of welfare services. This is really not easy for China, which does not have many cities and has an urban population of little more than 200 million. In the countryside, it has helped households in difficulty among the 800 million peasants to reduce their difficulties by means of state subsidies and mutual help among the peasants collectively, supplemented by mutual help among the peasants individually. By the end of last year, the state had already spent more than 30 billion yuan on civil subsidies. All this has been praised and supported by the people, because it represents epoch-making social progress in Chinese history.

"Serve the people" is the code of conduct for New China. Following the economic growth, the range of New China's social insurance has been continuously expanded. For example, the retirement system was first practiced in 1951 in large and medium state enterprises before it was adopted by state organs and institutions as well as large collective units. The Chinese economists and sociologists fully affirmed this practice. They held that the new social insurance system should be further developed on this basis. The irrational factors in this system should be discarded and some new regulations should be established so that the range of social insurance can be steadily expanded.

The range of China's current social insurance system is still not [word indistinct]. For example, the problem concerning social insurance for the staff and workers of many small collective units, for millions of self-employed workers in towns and cities and staff and workers in Chinese-foreign joint ventures, for 35 million contract and temporary workers in the enterprises, and for large numbers of unemployed workers in towns and cities, has not yet been solved. In addition, the problem concerning social insurance for [word indistinct] hundred million rural laborers still needs to be taken into the state's overall consideration.

These new situations and new problems have emerged along with China's economic reforms in both cities and countryside over the past few years. The specialists have also noticed that since the emergence of diverse economic forms and employment systems, the original social insurance system can no longer suit the new situation. Therefore, the reform of this system is unavoidable and imperative.

Raise the Degree of Socialization, Strive for Better Results in Social Insurance

China's current social insurance system is not being carried out throughout the country under overall planning, but is being carried out separately in various social units. As a result, social insurance becomes a kind of "enterprise insurance" and "unit insurance." Take retirement insurance for example--in 1978, there were 3.14 million retired workers in the whole country and the pension paid was 1.8 billion yuan. Last year, the number of retired workers rose to 14 million, and the pension rose to 10.5 billion yuan. It is estimated that by the end of the century the number of retired workers will increase to about 40 million, and the pension to 40 billion yuan. The proportion of pensions in the total wages has increased from 3.5 percent in 1978 to 9.7 percent in 1984 and will reach about 25 percent in the year 2000. Normally, this increasing expenditure on pensions should be regulated by the society under overall planning so as to ensure social stability. But even to this day, it is still funded by the original work units of the retired workers. In Shanghai, China's old industrial base, the ratio between workers at their posts and retired workers is as high as 3.8 to 1. But the ratio in new industrial areas such as Xizang and Guangxi is just 14 to 1. Chengdu's transport and loading and unloading company in Sichuan is an old enterprise. The ratio between its working staff and workers and retired staff and workers is 1 to 1. Thus, it has to pay 2.9 million yuan in pensions every year and though it earns more than 1.5 million yuan of profits a year, it becomes an enterprise suffering losses. However, as a picture tube factory in Shaanxi Province is a new factory, and among its more than 6,000 staff and workers there are only 15 retired personnel, it does not need much expenditure on pensions. Such phenomena are quite common in the whole country. Since some enterprises are unable to solve the aggravating problem of retirement insurance due to insufficient financial strength, many new social problems have emerged. They become especially serious when the economic reform aimed at enabling enterprises to develop amid competitions being carried out.

Another defect which has emerged due to a lack of overall planning in China's social insurance is that laborers are unable to raise their work efficiency or the economic returns of the enterprises. Over the past few years, since the decisionmaking power of the enterprises has been expanded, some enterprises have abused their power and indiscriminately given out bonuses and materials under all sorts of pretexts, and what they have done was not immediately restrained by law. For example, the labor insurance

and welfare funds distributed by state and collective units last year increased by 21.3 percent over the previous year, which was much higher than the growth rate of the national income.

While weighing the relations between social insurance and work efficiency, the Chinese specialists also took note of the lessons drawn by some developed Western countries. In England, as the expenditure on social welfare has been constantly increasing, the tax burden is also increasing. The personal basic income tax rate reaches as high as 60 percent. As a result, some people think that "it is better to deposit than to invest, and better to spend money than to deposit." Since various unemployment allowances are fairly high, many people prefer to rely on government subsidies. In view of this, England is now pursuing a new economic policy to increase the weight of "efficiency," and has begun to reform its social insurance system.

Over the past few years, China has promoted socialization of its social insurance, aimed at increasing the results of social insurance, and has achieved some new progress. For example, instead of merely providing relief to poor peasant households, main efforts have been made to help those households develop production and increase income. In the past 2 years, of the 7 million rural households receiving relief, 3 million households have been extricated from poverty. For another example, China's civil administration departments have established more than 1,600 welfare factories, which have provided job opportunities for more than 180,000 people, including more than 60,000 disabled and sick people, and have been producing more than 1 billion yuan of industrial output value each year.

In view of this, the Chinese experts held that taking positive measures to promote the progress of socialization, to seek better social results, and to establish a multi-layered and diversified network of social insurance is the road China should follow in its future reform of this system.

State, Enterprises, Individuals Rationally Sharing Expenses; Diversifying Forms of Social Insurance

China's current unitary social insurance structure is not in step with the new economic entity which is characterized by the coexistence of diverse economic sectors. For this reason the experts proposed that when establishing the new social insurance system, the method of the state, the enterprise, and the individual rationally sharing insurance expenses should be adopted, and the enterprise will be most responsible for these expenses. They also put forth some new proposals on reforming the current social insurance system, such as:

--Reforming the insurance system for retired staff and workers. It includes: 1. There should be differences in distribution of pension between different economic forms. 2. The pension expenses should be

rationally shared; the enterprises and institutions which have established the new pension system should be chiefly responsible for these expenses, but the individuals should also pay for the expenses, but there must be differences in the ratio of this payment between different economic forms.

3. The insurance funds for pensions should be regulated by social insurance organizations under overall planning. In the first step, they can be regulated under overall planning at the city and county levels, and in the second step, be regulated under overall planning at the provincial, regional, and municipal levels, as well as at the national level.

--Reforming the system of medical insurance for staff and workers and appropriately readjusting some other insurance systems. In the first step, some units may try the method of paying out some medical expenses to individuals. When they go to see the doctor, they will pay for the charges for medicines themselves and retain the surplus if there is any. The excess expenses can also be reimbursed. In the second step, a general readjustment will be carried out under overall planning on medical expenses. It was also suggested that the 56-day lawful maternity leave for women be appropriately extended.

--Establishing the insurance system for unemployed workers. All units in this country should join the insurance scheme for the unemployed. The employer units should use a proper ratio of their total wages to pay the insurance premium to relevant organizations in charge of this work, but the staff and workers may be exempted from this payment. When the staff and workers have difficulties in their life when awaiting jobs, they are entitled to get unemployment relief funds and medical allowances from the relevant organizations.

--Gradually establishing the social insurance system for self-employed workers in cities and towns and for rural laborers. The self-employed workers in cities and towns can pay a certain sum of provident funds to the insurance organizations every month and receive from these organizations a certain amount of pension after retirement according to relevant stipulations. On the question of social insurance for rural laborers, the experts proposed that this can be first carried out in some towns and townships which have comparatively good economic conditions. The expenses can be rationally shared by the collective units and the laborers working in these units. The enterprises in towns and townships must also establish the insurance system for industrial accidents.

--Promoting social welfare services. While gradually increasing financial allotments for social welfare and relief on the basis of economic development, it is necessary to establish various forms of social welfare facilities through various channels, such as assistance by the state, society, and economic entities, so as to provide more welfare services for disabled and sick people, old people, children, and women.

While reforming the social insurance system, the experts emphasized that it is also necessary to continuously give play to the role of China's traditional social insurance, such as mutual help among neighborhoods and relatives and family pension schemes. The state and the society should encourage this kind of mutual help. They also suggested that a special organization in charge of social insurance funds be established so that these funds can be collected, managed, and paid in a unified way.

Social insurance has become an important concern for all countries. On the basis of studying the experiences of various countries and summing up its own experiences, China is studying and designing its distinctive social insurance system. The successful completion of this system will surely provide China's "second revolution" with a good and stable social environment. This is also the purpose of this effort.

/9738

CSO: 4006/396

FINANCE AND BANKING

COUNTRY TO EXPAND FOREIGN INSURANCE BUSINESS

OW072111 Beijing XINHUA in English 1451 GMT 7 Dec 85

[Text] Beijing, December 7 (XINHUA)--The People's Insurance Company of China (PICC) will strive to expand its insurance business in the field of trade and economic activities with foreign countries in the Seventh Five-Year Plan beginning next year.

The premium income of this part of the business will grow at an annual rate of 18 percent in the next five years, as against the present 10 percent, according to a PICC report approved recently by the State Council.

Areas to be improved include perfecting the articles and clauses on insurance in China's laws and regulations concerning foreign businesses, and enacting and issuing, in the shortest possible time, rules and regulations concerning public liability and motor vehicle insurance policies of China-based foreign enterprises, the report says.

PICC will develop insurance categories needed by foreign tourists in China and China's overseas banking institutions are required to cooperate with overseas insurance companies.

More publicity will be given to the advantages of the insurance business in the expansion of international economic exchanges. And all walks of life should be mobilized to support the business, the report notes.

The insurance business involving foreign currencies has been developing rapidly in recent years, with more than 40 categories opened in all of China's provinces, municipalities and autonomous regions, except Qinghai Province and the Tibet Autonomous Region. Insurance has already played a positive role in promoting China's trade and economic cooperation with foreign countries, the report points out.

In contrast with many other countries, however, premium income in foreign currency occupies a very small proportion of China's non-trade foreign exchange earnings. Only a fraction of China's overseas institutions, and China-based foreign institutions and businesses have taken out policies in China. This shows that there is great potential for China to develop the foreign insurance business, the report concludes.

/6662

CSO: 4020/124

FINANCE AND BANKING

BRIEFS

JOINT VENTURE BANK--China's first joint venture bank, the Xiamen International Bank, will begin operations on Thursday. The bank is a joint venture between Panin Holdings Ltd., a local company, and three Fujian Province organizations. A press release issued by the bank said it has obtained a licence for foreign exchange dealings from the State Administration of Exchange Control. It said the People's Bank had approved the bank's establishment on 2 August and a business licence was granted at the end of the same month. The statement was apparently in response to an earlier press report that the joint venture bank had run into problems. The report, published last month, said the bank had yet to obtain a foreign exchange dealing licence and that the Chinese partners had failed to meet the 30 September deadline for injecting their initial investment of U.S.\$21.5 million. Panin officials said the report stemmed from "misunderstanding" and that the capital injection had since been completed. The Chinese partners are the Fujian Investment and Enterprises Corp, the Fujian branch of the China Industrial and Commercial Bank and the Xiamen Special Economic Zone Construction and Development Co. [Text] [Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 25 Nov 85 p 8] /9604

FUJIAN PUBLIC BONDS--Fuzhou, 29 Nov (XINHUA)--Fujian Province will issue 10 billion yen in public bonds in Japan under a contract signed in Tokyo earlier this week. The interest rate on the 10-year bond issued by the Fujian Provincial Investment Enterprise Company is 7.1 percent and the issuing value is 100 percent. The company, established in 1979, issued bonds worth 5 billion yen in Japan in August 1983. That was the first time that a local state-owned company had issued bonds abroad, officials here said. The company now has contacts with more than 70 banks and financial institutions abroad. [Text] [Beijing XINHUA in English 0738 GMT 29 Nov 85] /9604

BOC TO TRIPLE CAPITAL--Beijing, 3 Dec (XINHUA)--The capital of the Bank of China will be tripled from one billion to 3 billion yuan, said a bank official today. The tripling of the capital is vital to expansion of the bank's business, the official said. The Bank of China offers investment, leasing, trust, consulting and other services. It has 261 domestic branches and 3,301 agencies under 1,185 foreign banks in 150 countries and regions.

The bank plays a major role in developing foreign trade, organizing and raising foreign exchange, promoting cooperation between Chinese and foreign firms, and channeling information. The bank's total assets have increased from 38.4 billion yuan in 1978 to 200.3 billion yuan at the end of 1984, the official added. This is due to China's modernization program and the opening to the outside world. [Text] [Beijing XINHUA in English 0726 GMT 3 Dec 85] /9604

ANHUI TAX REVENUES--Overfulfilling its annual plan by 2.4 percent 50 days ahead of schedule, Anhui collected 3.49 billion yuan of tax revenues by early November, 870 million yuan more than over the same period of 1984. Of that amount, tax revenues from the industrial and commercial sectors accounted for 2.6 billion yuan. [Summary] [Hefei Anhui Provincial Service in Mandarin 1100 GMT 16 Nov 85 OW] /6662

HAINAN REDUCES LOANS AMOUNT--The region's banks at various levels have strengthened their administration and rationally reduced the amount of loans granted. By the end of October, the region totally reduced the amount by over 1.418 billion yuan, overfulfilling this year's assigned quota by 223 percent. The banks achieved this by clearing up mature and overdue loans and reducing the amount of loans granted for unjustifiable reasons, while supporting industrial and agricultural production, as well as the circulation of commodities. Moreover, they increased the number of outlets for savings deposits and offered good services so as to attract savings. By the end of October, the region's balance of savings deposits totalled more than 2.47 billion yuan. [Summary] [Haikou Hainan Island Service in Mandarin 0400 GMT 25 Nov 85 HK] /6662

SHANGHAI INVESTMENT FIRM--The Shanghai Investment and Trust Firm has successfully helped negotiate over 700 business deals, worth more than \$830 million and involving some \$40,000 foreign capital, with foreign businessmen in the past 5 years. [Summary] [Shanghai City Service in Mandarin 1100 GMT 7 Nov 85 OW] /6662

BEIJING CURRENCY WITHDRAWAL--By the end of October, Beijing Municipality withdrew 1.88 billion yuan in currency from circulation, a 57 percent increase over the corresponding period last year. [Summary] [Beijing City Service in Mandarin 1000 GMT 14 Nov 85 SK] /6662

JAPANESE BANKING DELEGATION--Beijing, November 28 (XINHUA)--Chinese State Councillor and Governor of the People's Bank of China Chen Muhua met with Minoru Inouye, president of the Bank of Tokyo Ltd., and his party here this afternoon. Chen, also honorary chairman of the Board of Directors of the Bank of China, said she was satisfied with good relations between the Bank of China and the Bank of Tokyo Ltd. With the expansion of economic and trade relations between the two countries, business relations between the two banks will grow further, she added. Minoru Inouye expressed the willingness of his bank to strengthen its cooperation with the Chinese side. The Japanese visitors arrived here yesterday at the invitation of the Bank of China. [Text] [Beijing XINHUA in English 1324 GMT 28 Nov 85 OW] /6662

CSO: 4020/124

MINERAL RESOURCES

BRIEFS

JILIN MINING DEVELOPMENTS--The drive to conduct reforms has brought about a new situation in Jilin Province's mining development. At present the province has discovered 72 kinds of mineral resources and more than 380 areas with mining deposits. Hundreds of mining spots are worth development. Of these mining resources, deposits of grey (?pyroxenite), (?diatomite), and gold occupy important places in the country. In 1984 more than 1,200 small collieries run by townships and towns in the province turned out 3.72 million tons of coal, accounting for 17.4 percent of the total provincial coal output. The masses turned out 26,000 liang of gold, accounting for 38.2 percent of the total national output. Of the township and town-owned enterprises throughout the province, the number of workers engaged in mining production accounts for 17.6 percent of the total number of workers. They have realized 188 million yuan in output value, accounting for 15.2 percent of the total provincial mining output value. [Excerpts] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 19 Nov 85 SK] /6662

JILIN GOLD PRODUCTION--Jilin Province prefulfilled its annual gold production plan by 2 months, registering a 15.7-percent increase over the same period last year. [Excerpt] [Chanchun Jilin Provincial Service in Mandarin 1030 GMT 21 Nov 85 SK] /6662

HENAN GEOLOGICAL WORK--During the Sixth 5-Year Plan, Henan Province has scored important achievements in geological work. The province has overfulfilled the state quotas for prospecting 18 kinds of main mineral products ahead of schedule and has identified 27 large and medium-sized mineral bases of 11 kinds which can be extracted. Over the past 5 years, the province has successively submitted to the state 264 reports of various categories and discovered 38 places for the production of mineral products of various kinds. Of the 27 large and medium-sized mineral bases already identified, 4 are of gold ore, 3 are of molybdenum ore, and others are of silver ore, sulfurous iron ore, coal, and gypsum. [Summary] [Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 20 Nov 85 HK] /6662

CSO: 4006/375

DOMESTIC TRADE

HENAN'S YANG XIZONG PUSHES DEVELOPMENT OF TRADING CENTERS

HK291404 Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 26 Nov 85

[Text] From 21 to 23 November, the provincial CPC Committee convened a forum for managers of 12 trading centers throughout the province. Yang Xizong, secretary of the CPC 4th Henan Provincial Committee listened to their detailed reports. He also made a speech on the development of trading centers.

The forum was attended by managers of Anyang, Zhengzhou, Luoyang, Nanyang, Kaifeng and Jiaozuo handicraft trading centers; Xinyang and Shangqiu trading centers; Zhengzhou and Kaifeng nonstaple foodstuffs trading centers; Zhengzhou foodstuffs and aquatic products trading center; as well as Luohe City agricultural and sideline products trading center.

Comrade Yang Xizong said: Trading centers have emerged in the wake of development of the socialist commodity economy. It has bright prospects and can play a very important role. In other words, it possesses Chinese characteristics. Therefore, we must do it well, which is an important part of invigorating circulation as well as a breakthrough point. In a short span of one year, the province's trading centers scored many achievements. The trading centers are but a new thing. We lack experience and face many problems in this respect and we need support for its development. Therefore, leadership at various levels must not exaggerate the importance of problems but actively and enthusiastically support the development of trading centers. The leadership should study their problems in the areas of pricing, taxation, capital and commodities. They should try their best to provide them the necessary external conditions so as to promote reform of the circulation system as a whole. On those people who practice fraud under the signboard of trading centers, we should carry out necessary consolidation.

On the pattern and development trend of trading centers, Comrade Yang Xizong pointed out: There are many patterns for developing trading centers. We may try all of them and select the best one through experiment, instead of making a hasty decision on a particular pattern at the start. Whether it focuses on operation or focuses on offering services, a trading center must have the most important feature of providing diversified services. The best trading center should look like this: Whenever one enters the trading center, he can promptly and easily have his demands met. For example, there should be buying and selling of things, facilities for eating out, articles for use

in the bedroom, articles for travelling, as well as things concerning production and technology and information about the market trend across the country. Only thus can the trading center become more brisk. It must offer good services, which must conform to the present living standards. It should provide the same services for commodities of upper and middle grades. The trading centers should diversify their services in the light of actual conditions, so as to meet different requirements.

Comrade Yang Xizong hoped that the trading centers would develop the economic links and would play a more important role. He said: Located on the central plain and having easy access by rail, Henan's trading centers should be very brisk. They have made great contributions to invigorating the circulation channels. But they can hardly meet the demand. It is hoped that our key trading centers will promote their business throughout the nation.

/6662

CSO: 4006/374

FOREIGN TRADE AND INVESTMENT

BEIJING REVIEW ON SINO-U.S. JOINT VENTURES

OW011158 Beijing XINHUA in English 1117 GMT 1 Dec 85

[Text] Beijing, December 1 (XINHUA)--The volume of U.S. investment in China amounts to one billion U.S. dollars, says the latest issue of BEIJING REVIEW.

About 150 million U.S. dollars of that sum is in the joint ventures and 600 million U.S. dollars has been invested in the joint exploration and development of China's offshore petroleum.

Sino-American joint ventures involve machine-building, chemicals, petroleum, motor vehicles, textiles, food and tourist industries and are located in about a dozen provinces and cities including Beijing, Shanghai, Tianjin and Guangdong Province.

Though many of the joint ventures have not been operating long, they have obtained a fairly high rate of returns.

Tests showed that the quality of the coated razor blades produced by the Shenmei Daily Use Products Co. Ltd., a joint venture financed by the Shenyang Daily Use Metals Industrial Corp. and the Gillette Co. of the United States, has matched Gillette's technical standards. The venture's profits in 1984 were 2.3 times higher than predicted.

China and foreign oil companies have signed 23 contracts for the development of the country's petroleum resources. Of these contracts, the most --12--are with Americans. Some of these companies have already struck oil and gas.

To encourage U.S. investment in China, the two countries have concluded investment insurance, guarantee agreement and an agreement on avoiding dual taxation. An investment protection agreement is now under discussion by officials of the two countries.

/6662

CSO: 4020/116

FOREIGN TRADE AND INVESTMENT

LICENSE REGULATIONS FOR IMPORTS, EXPORTS REVIEWED

HK200323 Hong Kong WEN WEI PO in Chinese 17 Nov 85 p 3

[Dispatch: "Licensing System To Be Instituted for Exports; Provisional Regulations To Be Announced Shortly"]

[Text] Taiyuan, 15 Nov--The second national work conference on import and export licensing administration closed today in Taiyuan. Members attending the conference discussed China's "Provisional Regulations for the Export Licensing System" and the rules and details for the all-round implementation of the import and export licensing system. They also submitted amendments to the regulations. It is estimated that the regulations will be announced shortly, after examination and approval by the State Council and Departments concerned of the Ministry of Foreign Economic Relations and Trade.

In order to strengthen macro-management over foreign trade, China has over the past 3 years, worked out a series of measures for import and export licensing administration, and has instituted a licensing system for major imports and exports. For example, there are: 43 types of commodity under import licensing administration, the amount licensed accounting for one-third of the year's import target; 152 types of commodity under export licensing administration, the amount licensed accounting for 54 percent of the year's export target. Quota and licensing administration is also instituted for fresh and frozen commodities sold to Hong Kong and Macao. These measures play a positive role in safeguarding the interests of the state, restricting "parallel goods," and stabilizing the market at home and abroad. Due to various reasons, there still exist a number of problems in import and export trade.

From now on we must further improve and perfect the licensing system and institute it in an all-round way. It has been learned that import and export licenses will continue to be issued at two levels. Licenses for major and sensitive commodities will be issued by the Ministry of Foreign Economic Relations and Trade or its commissioners' offices set up at various posts. Licenses for other commodities will be issued by the foreign economic relations and trade departments (bureaus) of the provinces, autonomous regions, municipalities, and relevant cities. It is said that the export licenses will be classified into the following forms: special permit license; quota permit license, and ordinary license.

/6662

CSO: 4006/374

FOREIGN TRADE AND INVESTMENT

WANG ZHEN MEETS HONG KONG BUSINESSMEN IN GUANGDONG

FK220607 Guangzhou NANFANG RIBAO in Chinese 13 Nov 85 p 1

[Report by Su Kezong [5685 0344 0022]: "Wang Zhen, Vice Chairman of the Central Advisory Commission, Meets Mr Lu Chen-kun and Mr Wu Chih-chi, Encouraging Them To Operate Joint-Venture Enterprises Well"]

[Text] After attending the inauguration ceremony for the completion of the Cuixiang guest house in Zhongshan City yesterday afternoon, Wang Zhen, vice chairman of the Central Advisory Commission, received Mr Lu Chen-kun, chairman of the board of the Hong Kong Juliford Company Limited and vice chairman Mr Wu Chih-chi at the guest house. On this occasion, he encouraged them to run the joint-venture enterprise well.

Wang Zhen said: Your investment in guest houses in China is of benefit to socialist construction. Tertiary industry in China can employ a large number of people and can also accumulate funds. The prospects for your operation of guest houses in China are very bright because they are useful for the development of tourism.

Provincial Governor Ye Xuanping was present on the occasion. He accorded a warm welcome to Mr Lu Chen-kun and Mr Wu Chih-chi and expressed thanks for their investment in Guangdong Province, describing it as a contribution to the provincial economy.

Mr Lu Chen-kun and Mr Wu Chih-chi have heavily invested in a number of projects in our province such as: The Shenzhen railway station; the Shenzhen guest house; a restaurant in the Guangzhou railway station; the overseas Chinese hotel in Guangzhou; the Zhenjiang guest house; the Yuehua service centre in Gongbei; and the Sanlian hotel and the Cuixiang guest house in Zhongshan city. Mr Lu Chen-kun said that to make an investment in the interior of our country has been his long-cherished wish.

/6662

CSO: 4006/407

FOREIGN TRADE AND INVESTMENT

DAILY REPORTS ARRIVAL OF SAUDI DELEGATION

HK280637 Yinchuan NINGXIA RIBAO in Chinese 12 Nov 85 p 1

[Report: "Saudi Arabian Trade Delegation Arrives in Yinchuan"]

[Text] A 16-member Saudi Arabian trade delegation, headed by (Shehemeren Feirung) accompanied by leaders concerned of the general office of the Bank of China, arrived in Yinchuan by special plane yesterday morning at the start of a 3-day visit to Ningxia. Ma Yingliang, vice chairman of the regional government, and responsible persons of departments concerned were at the airport to greet them.

Mr (Feirung) is one of the 60 wealthiest businessmen in Saudi Arabia and also holds a post in the Arab Foundation. The 60 companies subordinate to his Maphar [word printed in English] group mainly handle oil tankers and oil supply vessels; they undertake housing, road, and bridge construction and also exploit offshore and land oil and natural gas. Through talks and visits to the departments concerned, the delegation he head will explore possibilities of launching economic and technological cooperation with the region.

Yesterday afternoon, Regional Government Chairman Hei Baili me Mr (Feirung) and his delegation in the Ningxia Guesthouse. In a warm and friendly atmosphere, Chairman Hei Baili first outlined Ningxia's conditions to the guests. He said that Ningxia is rich in resources; it is a region that is just opening up. There are very broad fields for launching economic and technological cooperation between us. Chairman Hei Baili hoped that this visit would further promote friendly trading exchanges between Ningxia and Saudi Arabia and other countries. Mr (Feirung) said, this is the first time I have visited beautiful Ningxia. I have made many new friends. We are very interested in many of the economic and technological cooperation projects you propose. After the meeting, the regional departments concerned held talks with the delegation on specific projects for launching economic and technological cooperation.

In the evening, Regional Government Chairman Hei Baili gave a banquet in the Ningxia Guesthouse for the members of the delegation.

/6662

CSO: 4006/374

FOREIGN TRADE AND INVESTMENT

PRC, NORWAY HEAVILY INVOLVED IN MARITIME EQUIPMENT TRADE

HK220511 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 22 Nov 85 p 3

[Article by Diane Stormont]

[Text] China has become one of the Norwegian maritime sector's most exciting markets, according to a senior Norwegian trade official.

Despite the slump in the world shipbuilding industry, Norwegian exports of ship's gear are booming and the Scandinavian country has become heavily involved in China's new building program through a number of joint ventures and cooperation agreements, Mr Jon-Arne Hammer, area manager for marine equipment of the Export Council of Norway, said yesterday.

Mr Hammer, who has made three sales missions to China this year, was in Hong Kong preparing for his fourth visit.

The trip will encompass two major trade shows, offshore China in Guangzhou next week, and the Marintec China maritime exhibition in Shanghai early next month.

Norwegian companies will have a strong presence at both.

While Norway's traditional shipbuilding sector is declining--yards there are closing as owners place orders overseas--the equipment companies are finding new markets in China, Mr Hammer said.

China's Dalian shipyard is constructing two 70,000 dwt product carriers for Oslo-based shipowner, Osco Shipping A.S., and a 120,000 dwt shuttle tanker for Knutsen OAS Shipping A.S.

The Norwegian state oil company, Statoil, is evaluating future oil demand to decide whether the market will bear an additional two shuttle tankers.

If it perceives the demand is there, Statoil will advise owners it is in the market to charter the vessels should any owner care to place the orders for these ships.

Dalian is hoping to win at least one of these potential orders.

Norwegian owners are also behind two anchor-handling supply tugs built recently in Hudang Shipyard in Shanghai for Australian interests.

Six Norwegian companies are engaged in pool production agreements with their Chinese counterparts, Mr Hammer said.

The Norwegian firms usually supply the main product elements and the expertise while the Chinese provide the raw materials.

Eventually, the Chinese want to see the technological know-how transferred, enabling Chinese companies to produce the equipment.

Autronic Marine A.S. is supplying electronic control, monitoring and alarm equipment to the Shanghai Navigation Instruments Plant, and Golar Metal A.S. is producing incinerators in conjunction with the Nanjing Machinery Works.

A.S. Skarpenord has signed an installation and service agreement with the Shanghai Marine Equipment Research Institute.

Chinese engineers are already in Norway training to put in Skarpenord cargo-master systems.

Three other companies--A.S. Hydraulic Brattvaag, Harding A.S. and Frydenbo A.S.--have signed cooperation agreements with Chinese yards.

Brattvaag produces winches, windlasses and hydraulic machinery, Frydenbo makes steering gear and Harding manufactures life boats and safety equipment.

Mr Hammer hopes the six joint ventures will turn out to only be the tip of the iceberg.

/6662

CSO: 4020/116

FOREIGN TRADE AND INVESTMENT

NEI MONGGOL SEEKING FOREIGN INVESTMENT

OW291751 Beijing XINHUA in English 1603 GMT 29 Nov 85

[Text] Hohhot, November 29 (XINHUA)--Inner Mongolia is to give preferential treatment to foreign investors on taxes and workers' pay, vice-chairman of the autonomous region Bai Junqing said early this week.

Land tax will be 30 to 50 percent less than in coastal cities, and will even be exempted for technological development enterprises. And investors can expect labor costs to be 10 to 20 percent lower than other provinces.

These measures have been agreed on by regional authorities, and will be officially announced at a conference in Hong Kong early next month.

Other preferential treatment will include 15 to 30 percent income tax reduction for cooperative enterprises in further 10 years after the state granted term expired and income tax exemption for cooperative and foreign-run enterprises with annual profits less than one million yuan.

Bai will head a regional delegation at the Hong Kong conference which is to be held specially to announce 54 economic projects in Inner Mongolia for potential investors to choose from.

These involve farmland animal produce processing, building materials, electronics, paper making, machinebuilding, chemicals, metallurgy, power, posts and telecommunications.

Over the past few years, Bai said, the region has signed 26 contracts for joint ventures and cooperative and leasing enterprises with foreign companies, involving a foreign investment of 50 million U.S. dollars.

He said: "Inner Mongolia has abundant resources and a fairly complete industrial base.

"Priority will be given to the technical renovation and expansion of existing factories."

Inner Mongolia has trade relations with 59 countries and regions. It has exported 300 types of products worth 96 million U.S. dollars this year.

Border trade with the Soviet Union has increased by 250 percent this year compared with 1984 to reach 43 million Swiss francs. The region has also begun border trade with Mongolia, and the volume is expected to be worth 630,000 Swiss francs this year.

/6662

CSO: 4020/116

FOREIGN TRADE AND INVESTMENT

INVESTMENT IN GUANGDONG MAY REACH \$1 BILLION

OW2501907 Beijing XINHUA in English 1834 GM 25 Nov 85

[Text] Guangzhou, November 25 (XINHUA)--Guangdong Province attracted 548 million U.S. dollars of foreign investment in the first 10 months of this year, said a local official.

This was 45 percent more than in the same period last year.

By the end of the year, the province is expected to use a total of one billion dollars, more than any other province, said the official from the provincial foreign economic relations and trade commission.

More than 80 percent of the money is being invested in joint ventures and cooperative enterprises. And the number of joint ventures and enterprises each involving foreign investment of more than one million dollars accounts for 40 percent of the total.

Of these, work has already started on China's largest nuclear power station and a glass factory using advanced float technology.

Also under construction are an offshore oilfield service base, a brewery, a light truck plant, a cement factory, a thermal power station, a refrigerator condenser plant, an integrated circuits factory and the Guangzhou-Shenzhen-Zhuhai motorway.

The official said provincial authorities planned to set up more technology-intensive and export-oriented joint ventures and enterprises in the future.

They would concentrate on schemes involving energy production, transport, posts and telecommunications.

The focus of foreign investment and technology will be in the Pearl River delta, and also in 47 hilly counties, so that the best use could be made of local resources, the official said.

/6662

CSO: 4020/116

FOREIGN TRADE AND INVESTMENTS

SHANXI OFFICIAL INVITES FOREIGN COOPERATION

OW231915 Beijing XINHUA in English 1457 GMT 23 Nov 85

[Text] Taiyuan, November 23 (XINHUA)--Deputy Governor Bai Qingcai of China's Shanxi Province called for more economic and technical cooperation between Shanxi and other countries so as to promote the province's economic development.

Bai, who has just returned from a visit to the U.S. State of Idaho as head of a Shanxi provincial delegation, told XINHUA that the province is going to introduce more funds and advanced techniques and equipment from other countries.

An agreement on establishment of friendship ties between Shanxi and Idaho was signed during the visit.

The delegation also visited Tennessee, and signed a protocol on developing friendly exchanges and cooperation. The two sides also agreed to conduct cooperation in the fields of economy, trade, science, technology and culture.

Bai said that Shanxi now has contacts and economic cooperation with the U.S., Japan, the Federal Republic of Germany, Britain, Poland and Czechoslovakia.

Thanks to China's new open policy, more and more countries and foreign businessmen have expressed interest in cooperating with the province, he said. "Shanxi welcomes them and will provide favorable conditions for their cooperation," he explained.

Shanxi, the largest coal producer in China, also has rich resources of aluminum, gypsum and marble, as well as having thriving industries like machine processing, textiles, electronics, chemical products and building materials. Bai said that the province has broad prospects for cooperation with other countries.

/6662

CSO: 4020/116

FOREIGN TRADE AND INVESTMENT

FUJIAN GOVERNOR SPEAKS ON FOREIGN INVESTMENT, COOPERATION

HK031229 Beijing ZHONGGUO XINWEN SHE in Chinese 1407 GMT 27 Nov 85

[Text] Xiamen, 27 Nov (ZHONGGUO XINWEN SHE)--On the afternoon of 26 November, at a conference on promoting investment in Fujian, Governor Hu Ping of Fujian said that in our cooperation with foreign businessmen, we wish them and everybody fortune.

Hu Ping spoke on the three problems concerning investment in Fujian by foreign businessmen. The first of these is the problem concerning the economic interests of investors. He said: In doing business with foreign and Hong Kong businessmen, all the parties involved want to make money. All the programs offered by the conference on promoting investment in Fujian can yield economic results. Programs that cannot yield economic results will not be offered to foreign friends. The second problem is the problem concerning the legal protection for investment. He said: China has formulated a series of regulations on foreign economic relations which are now being perfected. In addition, the central authorities have decided to allow Fujian to give preferential treatment to foreign businessmen and to make some specific arrangements. The third problem is the problem of the markets. Hu Ping is of the opinion that this is one of the most important problems in bilateral cooperation. Fujian hopes that cooperation will enable its products to enter the international market. However, the domestic market is also very important. Fujian has a population of more than 20 million and its consumption power is becoming greater and greater. Since high-technology products are in short supply on the domestic market, we can allow foreign businessmen to take advantage of part of the domestic market on preferential terms.

/6662

CSO: 4006/407

FOREIGN TRADE AND INVESTMENT

BRIEFS

HEBEI EXPORT FIGURES--Hebei Province exported commodities worth more than U.S.\$1 billion during the January-October period this year, a 69 percent increase over the figure of the corresponding 1984 period and topping the previous high. [Text] [Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 6 Nov 85 SK] /6662

TIANJIN EXPORT PLAN FULFILLMENT--At a meeting on foreign economic relations and trade, Li Langing, vice mayor of Tianjin Municipality, revealed that by the end of October, Tianjin had fulfilled 87 percent of the annual export plan. It is expected that the 1985 export plan will be overfulfilled. By the end of October, Tianjin had signed 140 contracts on the establishment of joint ventures, of which some 50 joint ventures had been completed and began operation. In the first 10 months of this year the municipality dispatched some 770 workers and technical personnel to foreign countries. In 184 Tianjin signed some 400 contracts on technological imports, involving a total of some \$30 million. Some 102 contracts were fulfilled, with a value of about 320 million yuan. [Summary] [Tianjin TIANJIN RIBAO in Chinese 9 Nov 85 p 1 SK] /6662

BEIJING EXPORT ACHIEVEMENTS--Beijing Municipality has scored marked achievements in exports this year. In October the municipality exported commodities worth U.S.\$64.51 million, topping the previous monthly high. As of the end of this October, the municipal export volume was worth more than \$140 million, accounting for 83.2 percent of the municipality's annual export plan. [Excerpts] [Beijing BEIJING RIBAO in Chinese 12 Nov 85 p 1 SK] /6662

SWISS MANAGERS VISIT SHANGHAI--Mayor of Shanghai Municipality Liang Zemin met a group of senior managers from the (Brown Bowly) Company Ltd in Switzerland, which is led by its president (Berlinskiy), at Xingguo guesthouse yesterday afternoon. They had a friendly talk on technical and economic cooperation between Shanghai and the Swiss Company. The (Brown Bowly) Company Ltd is a world famous plant specializing in the construction of electric power stations and production of electrical equipment with its headquarters in Baden City. Since the beginning of this year, Shanghai engineering consultancy research center and the Swiss company have conducted discussions in Shanghai concerning construction of nuclear power stations and technological transformation of outmoded power stations in Shanghai, as well as cooperation in production between the company and relevant plants in Shanghai. [Text] [Shanghai JIEFANG RIBAO in Chinese 16 Nov 85 p 3 OW] /6662

GUANGDONG PRODUCTS EXHIBITION IN HONG KONG--Guangzhou, December 4 (XINHUA)--Guangdong Province, South China, is to exhibit its products in Hong Kong January 4 to 11, 1986. The exhibition will cover 3,000 square meters and display more than 4,000 kinds of products, including textiles, silks, electrical items, hardware, food, machinery, and chemical and light industrial products, said an official of the provincial government. The province is to offer 84 programs of technical cooperation in 1986 at the exhibition and will hold a symposium before the opening ceremony, he said. The exhibition will be jointly sponsored by the China Council for the Promotion of International Trade, Guangdong Enterprises Limited and the Hong Kong Trade Development Council. It will be the largest of 25 exhibitions which some inland provinces have held in recent years in Hong Kong. [Text] [Beijing XINHUA in English 1624 GMT 4 Dec 85 OW] /6662

PRC-FOREIGN JOINT VENTURE BANK--Xiamen, November 28 (XINHUA)--China's first joint venture bank with overseas partners, the Xiamen International Bank, opened in this special economic zone in Fujian Province today. With a registered capital of 800 million Hongkong dollars, the bank has been established jointly by the Fujian branch of the Industrial and Commercial Bank of China, the Fujian Investment and Enterprise Corporation, the Xiamen Construction and Development Corporation and Panin Group Corporation of Hongkong. The new bank has two subsidiaries, the Luso International Banking Company in Macao and the Xiamen International Finance Company in Hongkong. It will specialize in deposits, loans, remitting foreign currencies, import and export accounting, financial consulting services, and foreign currency investment. [Text] [Beijing XINHUA in English 1512 GMT 28 Nov 85 OW] /6662

PRC ELECTRONIC PRODUCTS DISPLAY IN CSSR--Prague, November 23 (XINHUA)--Heavy snow here has not stopped more than 120,000 people from coming to the "electronics and automation-85" exhibition, which ended today. China, the Soviet Union, Democratic Germany, the United States, Federal Germany, as well as Czechoslovakia, displayed their electronic products at the ten-day show held in the exhibition center at Fucik Park. According to an official of Czechoslovakia's Electronic Ministry, visitors were surprised to see the Chinese color TV sets, video tape recorders, computers, electronic toys and medical equipment. "We never thought China could produce such superb electronic products," one visitor said. This is China's first time to participate in this biannual exhibition, which began in 1983. [Text] [Beijing XINHUA in English 0243 GMT 25 Nov 85 OW] /6662

SONG PING HONORED IN WARSAW--Warsaw, November 18 (XINHUA)--Polish Deputy Premier Manfred Gorywoda said today that his country attaches great importance to developing economic and trade relations with China. At a dinner given for visiting Chinese State Councillor Song Ping, Gorywoda said that his country's emphasis on trade with China reflects Polish economic strategy. Poland wishes to exchange experiences with China in economic management and reforms of the two countries, he added. Song Ping, who had visited Poland in 1948 as a representative from the then communist-controlled areas of China, said that he has found great changes have taken place in Warsaw. He hoped that China and Poland would further develop their economic and trade relations. Song Ping, who is heading a Chinese governmental delegation, flew here yesterday from Bulgaria where he paid an official visit. [Text] [Beijing XINHUA in English 0258 GMT 19 Nov 85 OW] /6662

ANGOLAN PRESIDENT AT EXPOSITION--Luanda, 8 Nov (XINHUA)--Angolan President Dos Santos today visited China's Shanghai Pavilion at the Second Luanda International Industrial and Trade Exposition, which opened here this morning. The president was accompanied by Chinese Ambassador to Angola Zhao Zhenkui and by Chen Lianqing, head of China's Shanghai Exhibition Group, during the visit. [Summary] [Beijing XINHUA Domestic Service in Chinese 1405 GMT 9 Nov 85 OW] /6662

FUJIAN TRADE GROUP IN TOGO--The Fujian Foreign Trade Corporation has a 3-member trade group permanently stationed in Lome, Togo, to promote trade with West African countries. The group has successfully expanded trade with those countries by adopting over-the-counter, instead of L/C, trading. Its success has won the approval of the Ministry of Foreign Economic Relations and Trade. The group was sent to Togo at the end of 1983. [Summary] [Fuzhou FUJIAN RIBAO in Chinese 9 Nov 85 p 1 OW] /6662

BEIJING TECHNICAL PROGRESS--Over the past 6 years, 473 industrial enterprises throughout Beijing Municipality have imported 1,114 advanced technology items from foreign countries, worth more than U.S. \$1.13 billion. These enterprises have plants in the foodstuffs, light industry, textile, electronics, machine-building, motor vehicle, building materials, drugs, chemical industry, metallurgy, and instruments sectors. Influenced by imported foreign technology and equipment, more than 1,000 industrial enterprises in the municipality have achieved technical renovations in varying degrees, resulting in the emergence of a large output of new products. During the 1979-1984 period, the municipality turned out 185 products appraised as fine quality by the national authorities and 1,651 products judged as fine quality by the municipal authorities. [Summary] [Beijing BEIJING RIBAO in Chinese 12 Nov 85 p 1 SK] /8918

BEIJING JOINT VENTURE CONTRACTS--Since the beginning of this year, Beijing Municipality has witnessed a good trend in developing productive joint ventures. By the end of October, 27 contracts were signed on developing productive joint ventures, with a total investment of \$72 million, 2.8 times that of the corresponding period last year. [Summary] [Beijing City Service in Mandarin 1100 GMT 17 Nov 85 SK] /6662

FUJIAN FOREIGN CAPITAL FOR EXPORT ITEMS--Fuzhou, 20 Nov (ZHONGGUO XINWEN SHE)--Mountainous areas in northern Fujian have opened the gate to introduce foreign capital for developing export commodities. Jianyang Prefecture in northern Fujian approved 13 contracts with a total foreign investment of \$2.16 million from January to September this year. The introduced capital is mainly used for developing bamboo and wooden products, tinned foods, and textile goods for export. Mountainous areas in northern Fujian have adopted various ways, including joint-ventures with Chinese and foreign capital, investment of foreign firms, and compensation trade, to develop bamboo and wooden products, rosin, tea, textiles, and plastics goods for export. The Shaowu City Wooden Chopsticks Plant has imported from Hong Kong, in the form of compensation trade, a production line for processing wooden chopsticks. In the past 4 years, the plant has exported over 200,000 cases of wooden chopsticks for fast food restaurants, earning \$2 million. The Nanping Shazikou Hydropower Station and the Shunchang Cement Plant, which has an annual capacity of 620,000 tons of cement, are two major large-scale construction projects in Fujian. Kuwait and Australia have respectively granted loans amounting to \$30 million and over 63 million yuan to these projects. Products of the cement plant are for export. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 0125 GMT 20 Nov 85 HK] /6662

SPECIAL ECONOMIC ZONES

SHENZHEN CONDUCTS EXAMINATION ON FINANCIAL AFFAIRS

HK200149 Beijing ZHONGGUO XINWEN SHE in Chinese 0600 GMT 18 Nov 85

[Text] Guangzhou, 18 Nov (ZHONGGUO XINWEN SHE)--Since it started a general examination on taxation and financial affairs a month ago, Shenzhen has discovered evasion by enterprises of more than 26 million yuan of taxes and energy funds. According to the rules and regulations, the enterprises involved will be fined and an additional charge will be imposed for delayed payment.

Through investigation, the Shenzhen City Industrial Development Service Company has been found to have evaded business tax, corporate income tax, urban maintenance and construction tax, and funds for key construction of energy and transport totalling 15,318,000 yuan. The company is a large enterprise responsible for the exploitation and management of the two industrial districts of Shangpu and Bagualing.

The general examination has also found that some enterprises issued excessive bonuses and allowances in cash or in kind, arbitrarily raising production costs and violating rules to control the purchasing power of groups and issuance of coupons. For example, an unit of over 30 members spent more than 120,000 yuan just in 21 months offering double pay each month and issuing excessive bonuses and allowances in cash or in kind; on average, each member of the unit got 3,000 yuan.

At present, the general examination on taxation and financial affairs in Shenzhen has entered the stage of checking up on work on key units. Tax bureaus will dispatch some special teams to examine taxation of foreign equity enterprises, equity joint ventures, and non-equity joint ventures.

/6662

CSO: 4006/374

SPECIAL ECONOMIC ZONES

XIAMEN ECONOMIC ZONE TO SET UP PRC'S FIRST REGIONAL BANK

HK260421 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 26 Nov 85 p 5

[Report from Paul Sham in Xiamen]

[Text] The Xiamen Special Economic Zone is planning to establish a regional bank to tap the pool of wealth now held by citizens, a senior official said.

The deputy mayor of Xiamen, Mr Mao Disheng, told BUSINESS NEWS he hoped to see the bank in operation by next year. It would be the first of its kind in China since the People's Republic was founded in 1949.

Mr Mao said this method of utilising "idle" money made more sense for Xiamen than the Shenzhen approach of issuing commercial paper, since "different cities have different conditions".

The plan for the regional bank is being studied and an application will be sent to the State Council soon for approval, he said.

In the event the application is rejected, Xiamen will set up a finance company, Mr Mao said.

Banking reform ranks high among Xiamen's efforts to provide a better business environment for foreign investors, he said.

More than 10 foreign banks operating in Xiamen have applied to upgrade their representative offices to branch status.

In addition, "several" foreign banks are discussing with local authorities the possibility of setting up joint-venture banks.

Mr Mao also said the city has spent 600 million yuan (HK\$1.4 billion) this year on infrastructure development. These projects include construction of four deepwater berths and installation of 10,000-line telephone switchboards, and extension of the airport runway.

He said an equal amount of infrastructure investment is planned for next year and 1987.

The capital will come from bank loans, foreign investment and the Xiamen government's own resources, as well as local enterprises.

One major task for the government will be to renovate old business enterprises in Xiamen now employing 80,000 people, Mr Mao said.

/6662

CSO: 4020/116

SPECIAL ECONOMIC ZONES

SHENZHEN SUCCEEDS IN INCREASING EXPORTS

HK300844 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 28 Nov 85

[Text] The Shenzhen Special Economic Zone has tried all means to expand its exports of industrial, agricultural, and sideline products. In the first 10 months of this year, its export volume totalled \$400 million, an increase of over 100 percent over last year.

Since the beginning of this year, the Shenzhen Special Economic Zone has strived to study and develop new industrial products. Consequently exports of industrial products increased in terms of categories and producers from over 70 to 5 enterprises respectively last year to over 200 and over 300 enterprises this year. The gross export value was HK\$1.5 billion, an increase of over 50 percent over last year.

Furthermore, through the practice of importing from the outside and linking with the hinterland, various large commercial and trading companies in the zone formed scores of production bases for fresh, agricultural, and sideline products, as well as scores of enterprises for processing products for export. They expanded the export volume of fresh, agricultural, and sideline products.

In addition to running its chicken farm and fishing ground, the Shenzhen Special Economic Zone Export Trading Company entered joint ventures with units in Baoan County and so on; and raised pigs, fish, shrimp, crabs, and pigeons as well as grew vegetables, flowers, and mushrooms. In the first 4 months of this year, its gross export value exceeded \$80 million, an increase of almost 100 percent over the same period last year.

Moreover, the Shenzhen Special Economic Zone exported prawns, oysters, grouper, and other aquatic products.

/6662

CSO: 4006/374

SPECIAL ECONOMIC ZONES

BRIEFS

SHENZHEN OVERFULFILLS REVENUE TARGET--By October, Shenzhen City overfulfilled by 9.71 percent this year's financial revenue target. Since the beginning of this year, through the practice of importing from outside and linking up with the hinterland, Shenzhen City has developed new industrial projects, and assisted joint ventures and sole proprietorial enterprises to develop production. Therefore, its industrial and commercial tax collected was increased by 141 percent. At the same time, the city developed foreign trade and promoted exports. Therefore, the taxes collected through customs services were increased by 132 percent. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 29 Nov 85 HK] /6662

CSO: 4006/374

LABOR AND WAGES

MORE HANDICAPPED RESIDENTS EMPLOYED

OW261332 Beijing XINHUA in English 1219 GMT 26 Nov 85

[Text] Beijing, 26 Nov (XINHUA)--Over 1,500 handicapped rural Beijing residents have been employed in social welfare factories since July, when the municipal government pledged to find jobs within 2 years for all disabled peasants.

According to the municipal civil affairs bureau, there are about 10,800 handicapped people with the ability to work in rural Beijing. At the end of 1984, only 4 [number as received] percent were employed, while the figure today is 23 percent.

Over 215 enterprises now employ the handicapped, compared with 95 enterprises just 4 months ago, said a bureau official today. Each of 350 rural townships must set up a factory or trade firm that hires the disabled.

Those enterprises that employ 50 percent of their workforce from the handicapped are eligible to receive large tax breaks. However, local officials still find it difficult to place all disabled persons in appropriate jobs.

Handicapped workers are now employed in many positions including doing handicrafts, repair work, sales, and processing industrial products. They are paid comparable wages to non-handicapped employees.

The newly-employed handicapped workers, including blind, deaf-mute, and deformed, are contributing to the family income as well as improving their own status.

In urban Beijing, where there are 14,000 handicapped persons, over 98 percent have been given jobs.

/9604

CSO: 4020/118

LABOR AND WAGES

JINGJI GUANLI ON WAGE REFORM IN LIGHT INDUSTRY

HK211019 Beijing JINGJI GUANLI in Chinese No 9, 5 Sep 85 pp 64, 65

[Article by Li Suhua [2621 4790 5478]: "Questions on Wage Reform in Light Industrial Enterprises"--edited by Pan Shucheng [3382 6615 3397]

[Text] In adopting the method of allowing total wages in industries to be linked, and fluctuate in accordance with economic results, the growth of workers wages mainly relies on improvement of the economic results of the enterprises. The enterprises can employ their own discretion to use wage funds in accordance with the principle of remuneration according to labor and within the stipulated extent of growth of total wages. The labor reward of industrial workers in enterprises depends on their contribution to society. Those who contribute more will gain more and those who contribute less will gain less. We can assume that the implementation of this system of distribution is very important to: Motivating the initiative of enterprises and workers; improving the vitality of enterprises; developing the social productive force; overcoming the flaw of egalitarianism in distribution; and implementing the principle of remuneration according to labor. As time goes by, this will play a more and more powerful rule.

The premise for adopting the above method is that taxation submitted to the state by enterprises must grow steadily. Hence, it is necessary to handle two questions well in actual practice. First, how to handle advanced areas and advanced enterprises. Second, how to treat the proportion of growth of economic results and the actual contribution. It is not rational to assess contributions by looking at the extent of growth in taxation submitted to the state. This is because, first of all, the rapid development of the various departments in the national economy is a result of the characteristics of our country's planned economy, and this has been affirmed by the state comprehensive balance. As far as light industry is concerned, since 1979, and in accordance with the principle of readjusting the national economy, the state has accorded first priority to development of the production of consumer products, allowing the enterprises to enjoy six preferences. Thus, development of light industry has been relatively fast. In the 5 years between 1979 and 1984, the average growth of light industrial output each year was over 10 percent and achieved taxation also grew by over 6 percent. Growth was even more rapid in the coastal areas and areas where keypoint development

was carried out. Owing to rapid development in the past few years, the base was expanded and the old plants were unable to keep up with the pace of tapping potential and technical renovation. Thus, more difficulties in tapping potential and a relaxed growth rate have become visible. In addition, reduced profits were brought about by readjusted prices of raw materials and energy as well as a reduction in the prices of a certain portion of light industrial products. Loan repayments and other factors have to be borne by the enterprises themselves, bringing greater difficulties to the production and management of the enterprises. In some enterprises unable to tackle the difficulties, the phenomenon of "indigestion" has appeared which is characterized by slow production growth, lower economic results and reduced taxation submitted to the state. These enterprises have lost the essential conditions needed to allow total wages to fluctuate with the economic results and to carry out reform in the wage system. This is a new problem which confronts wage reform in light industrial enterprises. According to incomplete statistics recently gathered in large, medium and small cities, only 13.77 percent of the large and medium scale light industrial enterprises actually possess the basic conditions needed to adopt the method of allowing total wages to fluctuate with the economic results and to carry out wage reform. In light of this, taking the year's amount of taxation submitted to the state as the sole criterion in large and medium scale enterprises in the course of implementing the method of allowing the total wages to fluctuate in accordance with the economic results, without giving consideration to enterprises' contribution to the state during the past years, is only a method of "whipping a fast cow." This will not play an active role in developing production.

In view of the actual situation of light industry and in order to: improve the vitality and self-reforming capacity of large and medium scale enterprises; exercise macroeconomic control over distribution and allow micro-economic flexibility; give play to the lever role of wages in speeding up production, we must also give consideration to the following questions:

(1) The decision on the floating proportions must comply with the spirit of inspiring the advanced, and prevent the phenomenon of "whipping a fast cow." In assessing the enterprises economic results and ascertaining the proportion of total wages which fluctuate with the economic results, we must first allow a higher floating proportion for enterprises in which: Development was fast and contributions were great over the past few years; the base was expanded; the potential was limited; and which now face difficulties in increasing production. Second, the floating proportion of enterprises in which the per capita taxation yield rate, wage income tax and labor productivity are higher than the average of other local industrial enterprises should be accordingly higher. Third, it is necessary to give consideration to enterprises in which profit growth is affected by limited production and marketing of products produced under state mandatory plans.

(2) Index linking must be set up by proceeding from reality. It should differ in various enterprises and should not be rigidly set. Under the principle of giving consideration to the interests of the state, enterprises and individuals, it is necessary to choose an index linking which can reflect economic and social results. Since there are many varieties of light industry,

we must not promote a standard mode. All enterprises whose production and business operations are normal and stable, and which have great potential, can adopt the method of linking total wages with the enterprises' submitted taxation. Renewal of products, or products produced in accordance with market demands, can be linked with market demands of the final products. Unitary products and marketable products can be linked with production of the final products. As far as enterprises which have a large base and limited potential are concerned, the index of wage per 100 yuan of taxation submitted to the state can be adopted.

(3) For enterprises which run into deficits because of readjusted prices of raw materials and energy products stipulated by the state, it is necessary to take this objective factor into consideration in assessing the taxation, so that enterprises will not increase production without gaining more and so that workers will not work harder without earning more.

(4) Enterprises' loan repayments should be made in accordance with a certain ratio and be regarded as taxation. This is because when enterprises use loans to renovate equipment, open up new products and expand reproduction, the workers are striving hard to create economic results and thus, these should be regarded as contributions to the state. It is reasonable to allow the workers to gain some advantages from this.

(5) It is necessary to settle wage relations and prevent the new situation of unequal hardship and fortune. Since the standard wage of production workers of a certain portion of light industrial enterprises is low, the wage relations between the enterprises and the industries are irrational. Prior to implementing the method of allowing the total wages to fluctuate with the economic results, the enterprises should settle the wage relations of the various industries in order that enterprises of the various industries can develop on a rational level.

/6662

CS0: 4006/375

PUBLICATIONS

BRIEFS

5-YEAR PLAN PROPOSAL--Beijing, 30 Nov (XINHUA)--To assist cadres and the broad masses in studying and understanding in depth the spirit of the "Proposal of the Central Committee of the CPC for the Seventh 5-Year Plan for National Economic and Social Development," a book entitled "Supplemental Material for Studying the Proposal for the Seventh 5-Year Plan," written by comrades concerned of the Research Center of the CPC Central Committee Secretariat, the Investigation and Research Office of the CPC Central Committee Secretariat, the Investigation and Research Office of the State Council, and the State Commission for Restructuring the Economic System, has recently been published and put on sale by the XINHUA Publishing House. Written in the form of a series of lectures, the book explains thoroughly guiding principles, objectives, development speed, approaches in reform, policy measures, and other matters put forward in the proposal for the "Seventh 5-Year Plan." The book consists of 37 chapters. [Text] [Beijing XINHUA Domestic Service in Chinese 1203 (MT 30 Nov 85 OW) /9738

CSO: 4006/396

YU KUO-HUA URGES STRENGTHENED PACIFIC TRADE

OW041059 Taipei CNA in English 1032 GMT 4 Nov 85

[Text] Taipei, 4 Nov (CNA)--Premier Yu Kuo-hua said Monday that as a result of rapid economic growth, the Pacific Basin has emerged as a dynamic force on the world stage. Increased cooperation among Pacific Basin countries in economy, technology, trade and investment will help usher in a new Pacific era in the near future, Premier Yu said.

Yu made the remarks at the opening ceremony of the 1985 PBEC [Pacific Basin Economic Council] International Management seminar at the Grand Hotel in downtown Taipei.

The premier said that the tremendous progress and growing prosperity in the region has presented exciting opportunities for fruitful cooperation in trade, investment, and economic and technological development in the common interest of all members of the world community.

Yu reported that the famed EUROMONY magazine once conducted a survey of economic performance of 93 countries between 1974 and 1984. Eight out of the top 10 on the list of 93 countries were of the Southeast and East Asian regions, including the Republic of China, Singapore, Japan, South Korea and Hong Kong, he said.

In addition, the Premier said, the 13 Pacific rim countries and areas, namely, the United States, Canada, Australia, New Zealand, Japan, Hong Kong, South Korea, the Republic of China and the five ASEAN countries, commanded 34 percent of total world trade in 1983.

Yu pointed out that the Pacific Basin countries have a shared interest in a healthy environment for growth and development. He urged them to strengthen exchange of raw materials and manufactured products and inter-flow of technology and management expertise, which he said could lead to an increase in per capita income and improvement of living standard in each country.

The seminar is the first of its kind ever held here since this country became a full member of the Pacific Basin Economic Council. More than 60 delegates from the 13 member countries are attending the 5-day meeting.

/9604

CSO: 4020/119

EXPORT PROMOTION STRATEGIES ANNOUNCED

OW041227 Taipei CNA in English 1052 GMT 4 Dec 85

[Text] Taipei, Dec. 4 (CNA)--The Board of Foreign Trade (BOFT) and the China External Trade Development Council (CETDC) have announced that next year's export development theme will be "to expand Taiwan's export outlets by appropriating specific marketing strategies to regional markets." The United States, Japan, Scandinavia, Central and South America, Southwest Asia, and Africa are the six regions designated for promotional work.

The 1986 promotional theme is intended to address the nation's slack exports and help diversify export outlets. Specific (?market) strategies will be determined according to each market's unique characteristics. Major promotional strategies for 1986 have been listed as follows:

--To strengthen cooperation with the U.S. and help outstanding manufacturers establish their own brands.

--To invite prominent Japanese chain stores to join with Taiwan firms in co-sponsoring local product shows in order to pave the way for a smooth entry into Japan's market.

--To dispatch trade commissions to Scandinavian countries, including Denmark, Switzerland, Finland, and Norway, and to collect Scandinavian market information.

--To sponsor product shows, conduct trade talks, and establish person-to-person and business-to-business contacts in Central and South America, Southwest Asia, and Africa. Trade commissions composed of prominent exports and manufacturers will follow these pioneering efforts.

/6662

CSO: 4020/125

CENTRAL BANK TO LOWER INTEREST RATES 23 NOV

OW230433 Taipei CNA in English 0235 GMT 23 Nov 85

[Text] Taipei, 22 Nov (CNA)--The Central Bank of China will lower further various interest rates by 0.5-0.25 percent, effective Saturday, 23 November, at the suggestion of the Bankers Association.

Meanwhile, the Legislative Yuan resolved to abolish the statutes governing banking interest rates in a plenary session Friday to pave the way for liberalizing interest rates. The statutes were put into effect 19 December 1947.

The maximum interest rates for loan will be cut by 0.25 percent and the minimum rates will be lowered by 0.5 percent. Thereafter, the annual rates for short-term loans will be between 9.50 percent and 6.25 percent, and those for the medium- and long-term loans will be set between 10.25 percent and 6.75 percent.

The rates for various time and saving deposits will be lowered by 0.5 percent, and those for demand deposits will go down by 0.25 percent.

The adjustment will set the new rate for 3-year term deposits at 6.75 percent, 2-year terms at 6.50 percent, and 1-year terms, 6.25 percent. The rate for demand deposits will be lowered to 3.75 percent.

The Bankers Association met Friday to review the domestic financial situation and suggested the lowering of interest rates because of the long-term sufficient capital in banking institutions and stable market prices. In addition, interest rates on the monetary market are declining too, bankers said.

The Central Bank of China last adjusted domestic interest rates downward in September.

/9604

CSO: 4020/119

ECONOMIC INDICATORS SHOW ECONOMY BOTTOMING OUT

OW260527 Taipei CNA in English 0307 GMT 26 Nov 85

[Text] Taipei, 25 Nov (CNA)--Various domestic economic indicators demonstrated in October show that the Republic of China's [ROC] economy is bottoming out and will continue to grow moderately next year, the Ministry of Economic Affairs said Monday.

An analysis of the ministry on the domestic economic situation made the forecasting based on the following factors:

--The International Monetary Fund said in its October report on the world economic prospects that the world's economic growth will climb from this year's 3.1 percent to 3.4 percent next year, with those of leading industrial countries expanding between 2.8 percent and 3.1 percent on average, and those of developing countries, between 3.5 percent and 4.2 percent on average.

The nation's economy will take a turn for the better by taking advantage of some favorable economic factors in the world:

--The continuous devaluation of the American currency on the world market will benefit the ROC exports;

--The ROC Government's timely adjustments of three rates (business income tax, bank interest and the new Taiwan dollar's exchange against the U.S. dollar) will encourage private investments and stimulate economic growth in this country; and

--The government will vigorously undertake the 14 key construction projects beginning next year.

The analysis said, quoting the statistics released by the Directorate General of Budget, Accounting and Statistics last week, this nation's economic growth this year is expected to reach 5 percent, with 6.11 percent in the first quarter, 4.33 percent and 4.14 percent in the second and third quarters respectively and 5.06 percent expected in the fourth quarter.

The improvement in the last quarter indicates that the ROC economy is climbing up from the bottom, thanks to the better-than-expected economic performance of the United States in the third quarter of the year, the analysis said. The U.S. economy grew 4.3 percent, higher than the original goal of 3.3 percent, during the July-September period this year.

OFFICIALS ESTIMATE \$10 BILLION TRADE SURPLUS

OW020329 Taipei CNA in English 0308 GMT 2 Nov 85

[Text] Taipei, 1 Dec (CNA)--Trade officials estimated Saturday that the Republic of China is expected to enjoy a U.S.\$10 billion trade surplus in 1985, the highest recorded in this nation's trade history, due to the higher negative growth of imports than that of exports.

They noted that both the ROC's imports and exports so far this year have been decreased because of economic stagnancy at home and abroad. But since the negative growth on the part of imports had been higher than that of exports, trade surplus for this nation had been increased from U.S.\$2.12 billion in the first quarter to U.S.\$2.73 billion and U.S.\$2.94 billion in the second and third quarters, respectively.

As of the end of October, the officials said this country had an aggregate trade surplus of U.S.\$8.78 billion. They estimated that the figure is expected to exceed U.S.\$10 billion by the end of this year.

They said the ever increasing trade surplus has expanded the foreign exchange assets holding by ROC banking institutions and is helpful to upgrading this nation's credit in the international community. It has also posed some noteworthy problems such as heightening trade frictions with such trade partners as the United States, increasing the growth of money supply and thus further dampening demands in the domestic market, and giving added pressure on the new Taiwan dollar pushing for the further revaluation of its exchange rate against the U.S. dollar.

/9604

CSO: 4020/119

BRIEFS

INDUSTRIAL PRODUCTION INDEX UP--Taipei, 24 Nov (CNA)--The Republic of China's general industrial production index reached 134.75 in October, the best performance so far in this year, indicating an upswing in domestic economy, the Directorate General of Budget, Accounting and Statistics [DGBAS] said recently. The index was an increase of 3.95 percent compared with that in September, and also an increase of 4.75 from the same month of last year, showing that the domestic economy in the fourth quarter of this year is recovering from its ebb, a DGBAS spokesman said. The industrial production indexes in October read as follows: --the manufacturing industry scored 138.80, an increase of 4.23 percent over September, the highest growth rate so far in this year; --the electricity, water and gas supply industries scored 137.17, up 1.01 percent from the month of September; --the housing construction industry scored 69.29, an increase of 12.92 percent over September; and --the mining industry scored 79.61, an increase of 7.52 from September. [Text] [Taipei CNA in English 0303 GMT 25 Nov 85] /9604

COMPANIES MUST CUT EXPENSES--Taipei, 24 Nov (CNA)--All state-owned enterprises should reduce expenditures, otherwise most of them would reduce the workforce or even shut down operations, Wang Yu-yuah, vice chairman of the Commission of National Corporations, said Sunday. He warned that only three among the current 12 state-run companies under the Ministry of Economic Affairs will continue operating 5 years from now if they cannot positively decrease their personnel expenditures. The three companies are the Chinese Petroleum Corp., the Taiwan Power Corp., and the China Steel Corp., he pointed out. The remaining nine have difficulties in business operations. They are the BES Engineering Corp., the China Petrochemical Development Corp., the China Shipbuilding Corp., the Taiwan Aluminium Corp., the Taiwan Fertilizer Co., Ltd, the Taiwan Metal Mining Corp., the Taiwan Machinery Manufacturing Corp., the Taiwan Salt Works and the Taiwan Sugar Corp. It is a painful thing to lay off workers, he said, but the step is helpful to the companies. The sooner they take the step the better, he said. He also suggested ordering reductions of workers' salaries instead of layoffs to help both the companies and workers. [Text] [Taipei CNA in English 0247 GMT 25 Nov 85] /9604

FISHING UNDER AUSTRALIAN ACCORD--Kaohsiung, 24 Nov (CNA)--The Republic of China's fishing boats joining in a fishery cooperation program with an Australian company have left their base in Kaohsiung for waters off the Australian coasts to begin their operations, a fishery official in this southern port city said recently. The Kaohsiung City Fishermen's Association signed an accord with an Australian fishery company 7 years ago, under which 60 trawlers affiliated with the association are allowed to operate in waters east of 116 degrees east longitude. The maximum annual catch for these trawlers this year has been set at 27,500 metric tons, the official said. Meanwhile, the accord also permits 15 other fishing boats to operate in an area north of 18 degrees south latitude with a maximum capture of 2,700 metric tons per year. The Sino-Australian fishery cooperation agreement has been widely recognized as a model for other similar agreements, the official said. [Text] [Taipei CNA in English 0259 GMT 25 Nov 85] /9604

IMPORT TARIFFS--Taipei, 26 Nov (CNA)--The Finance Ministry held a meeting Tuesday to discuss tariff cuts on some 920 categories of imported products, starting in 1986. During the 2-hour discussion, participants at the meeting decided to lower the maximum import tariff rate from the current 75 percent to 70 percent. They also agreed to include the tariff cuts on some auto parts, basic materials and the nation's products which are highly competitive in the world into this year's revision of import tariff rates. According to the revision, tariffs on imported footwear will be reduced from the current 30 percent to 20 percent, and those on imported cigarettes and wine will also be cut by 10 percent. A finance official said he estimated that the government would suffer a loss of NT\$1.5 billion (U.S.\$37.5 million) in tax revenues in 1986 because of the tariff cuts on some 920 product categories. He said that the revision of the import tariff rates will soon be sent to the Executive Yuan for screening and approval. [Text] [Taipei CNA in English 0305 GMT 27 Nov 85] /9604

CSO: 4020/119

PRC BANK OFFICIAL DISCUSSES ROLE OF BANK OF CHINA IN HONG KONG

HK181334 Beijing ZHONGGUO XINWEN SHE in Chinese 1356 GMT 16 Nov 85

[Article by Zhou Xiao [0719 2556]: "An interview with Huang Diyan, director of the Hong Kong and Macao Management Office of the Bank of China"]

[Text] Beijing, 16 Nov (ZHONGGUO XINWEN SHE)--It has been said that there will be a personnel reshuffle in the Bank of China group in Hong Kong and Macao in the near future. Regarding the issue, the reporter had an interview with Mr Huang Diyan, newly appointed director of the Hong Kong and Macao Management Office of the Bank of China. Mr Huang is now in Beijing attending a meeting of general managers of overseas branches of the Bank of China.

Mr Huang said that the Bank of China group now has more than 8,000 staff members with an average age of 30 or so. However, the problem of aging is rather serious at the leading levels. Therefore, a number of general managers and assistant managers will retire before the end of this year. At the same time, a number of new leading cadres will be appointed according to the principle "younger in average age, better educated, and professionally competent."

Mr Huang Diyan was recently appointed director of the Hong Kong and Macao Management Office of the Bank of China. Prior to the appointment, he served in the Overseas Department of the Bank of China for 30 years. He was appointed deputy director of the Hong Kong and Macao Management Office of the Bank of China 2 years ago. As a result, he is quite familiar with banking business.

The reporter asked Mr Huang whether or not the Bank of China group played the role of promoting the stability and prosperity of Hong Kong's economy?

Mr Huang said that the Bank of China group has now become a vital force for the stability and prosperity of Hong Kong's economy. Apart from China's impact on Hong Kong which is a basic factor, the gradual expansion of the Bank of China group in recent years has been indispensable to Hong Kong's prosperity and stability. Over the past 6 years, the capital of the Bank of China group increased by 1000 percent, the volume of its business increased by over 1000 percent, savings increased by over 400 percent, loans increased by more than 600 percent and its branches and staff members increased by around 100 percent. In view of its expansion, the Bank of China group has lent to a wide range to

support the development of local industrial and commercial enterprises. The Bank of China group also expanded to granting industrial loans so as to enhance the competitiveness of industrial enterprises. During the fluctuations in the financial and foreign exchange market, the Bank of China group cooperated with the Hong Kong market through foreign exchange transactions and other financial activities. Regarding the banks run by Overseas Chinese which asked for help, the Bank of China group offered support and help in various ways. When some industrial and commercial enterprises encountered difficulties, the Bank of China group rendered support by all means within its ability. In a word, the Bank of China group has played an increasing important role in maintaining the stability and prosperity of Hong Kong's economy.

Mr Huang said that the Bank of China group has now become a vital force for the stability and prosperity of Hong Kong's economy. Apart from China's impact on Hong Kong which is a basic factor, the gradual expansion of the Bank of China group in recent years has been indispensable to Hong Kong's prosperity and stability. Over the past 6 years, the capital of the Bank of China group increased by 1000 percent, the volume of its business increased by over 1000 percent, savings increased by over 400 percent, loans increased by more than 600 percent and its branches and staff members increased by around 100 percent. In view of its expansion, the Bank of China group has lent to a wide range to support the development of local industrial and commercial enterprises. The Bank of China group also expanded to granting industrial loans so as to enhance the competitiveness of industrial enterprises. During the fluctuations in the financial and foreign exchange market, the Bank of China group cooperated with the Hong Kong British authorities to maintain the stability of the Hong Kong market through foreign exchange transactions and other financial activities. Regarding the banks run by Overseas Chinese which asked for help, the Bank of China group offered support and help in various ways. When some industrial and commercial enterprises encountered difficulties, the Bank of China group rendered support by all means within its ability. In a word, the Bank of China group has played an increasing important role in maintaining the stability and prosperity of Hong Kong's economy.

Concerning the impact of the Bank of China group on the interior, Mr Huang Diyan said that the Bank of China group raises funds for construction on the mainland and also provides information and consultative service. The Bank of China group will give full play to its role of linking economic trade between the mainland and Hong Kong. In order to support trade between Hong Kong and the mainland, the construction in the mainland, and the businesses of mainland organs stationed in Hong Kong, the Bank of China group has appropriated more than HK\$9 billion since the beginning of this year. In my opinion, the economic ties between Hong Kong and the mainland are extremely important for the stability and prosperity of Hong Kong's economy. Apart from continuously expanding its businesses in Hong Kong and the mainland, the Bank of China group will further develop its businesses abroad. With backing from the mainland, the Hong Kong and Macao Bank of China group should have a foothold in Hong Kong and develop its businesses abroad.

/8918

CSO: 4006/377

DEVELOPMENT OF NEW EXPORT MARKETS ADVISED

OW051910 Beijing XINHUA in English 1655 GMT 5 Nov 85

[Text] Hongkong, November 5 (XINHUA)--Hongkong manufacturers should extend their markets to Japan and the Chinese mainland in view of the sluggish economy in the United States, said the executive director of the Hongkong Trade Development Council (TDC), Jack So, here today.

Addressing a rotary club meeting, So pointed out that Japanese consumers have gradually accepted Hongkong products. Hongkong clocks and watches, jewelry, fur and garments are welcomed in Japan, he said.

The Chinese mainland is also a large potential market for Hongkong's export despite the recent Chinese policy of tightening up the foreign exchange spending, So said, adding that there is a 124 percent increase of Hongkong's export to the Chinese mainland this year.

So noted that besides experiencing the first drop in nine years of domestic exports, Hongkong is facing a menace of slack demand of overseas markets as well as an overshadowing of increasing protectionism in Hongkong's major markets.

In the first nine months this year, domestic exports record a drop of 6.8 percent with a total volume of trade of 95 billion HK dollars (12.1 billion U.S. dollars).

However, the situation may be improved by a resurgent economy in Europe, So added. The Federal Germany's growth rate this year is estimated at 8 percent in real terms, the U.K. 7 percent, and France, Italy, the Netherlands each at 5 percent.

Devaluation of the Hongkong dollar due to its peg to the U.S. dollar will also raise the competitiveness of Hongkong products in the European market, So explained.

CSO: 4020/117

DAILY'S EDITORIAL ON JENKINS BILL

HK190535 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 19 Nov 85 p 2

[Editorial: "Beyond Jenkins, Time To Attack"]

[Text] Whatever Hong Kong's free traders have learned from their experiences in fighting the Thurmond Jenkins Bill, they are in danger of leaving Hong Kong's flank exposed while they concentrate on the U.S. threat.

While attention, naturally enough, remains focused firmly on Washington as the textile industry anxiously awaits the presidential verdict on this particular bill, Hong Kong is neglecting threats emerging in its small, but collectively important, non-U.S. markets.

True, the U.S. market takes a staggering 40 percent of Hong Kong's exports, but the remaining 60 percent has to be safeguarded too.

Hong Kong has discovered, one hopes, that it cannot rely on simply responding to a particular threat after it arises.

The time has come to revise its defences and also learn to attack.

If nothing else, the Jenkins, Thurmond Bill has spawned one positive by-product--it forced the government to get off its backside and mobilise its defences.

Industry, unhappily, was less-than-active in its support for government actions. Entrepreneurs preferred to carp about government efforts rather than become involved--financially or in terms of time given.

But despite all the effort--and a a sterling one it has been, albeit a late one--Hong Kong is still on the defensive.

The future of Hong Kong's access to its major market rests on the whim of President Reagan and the political realities on the day when the bill comes up for his signature--or veto.

It would be a brave man who dares shout the odds on the chances of a presidential veto.

Too much depends on the cross-cutting ties of loyalty, reciprocity and obligations that underpin in U.S. political system for anyone to be sure of which way the President will jump.

Restrictive measures have already crept past the President, despite all his rhetoric, and as the pressure mounts, the protectionist juggernaut becomes increasingly harder to stop.

But protectionism is not just an American phenomenon. Indeed, protectionist sentiment is sprouting all over the globe.

The EEC, after all, is a cartel designed to protect the interests of member countries.

Many nations in Southeast Asia are erecting trade barriers. And protectionism, of course, is nothing new in Japan and Australasia.

Hong Kong's strategists cannot ignore this sentiment any longer. Lobbyists have been hired in Washington, but the mechanisms are different in Brussels, Tokyo and Canberra and in Hong Kong's smaller, but no less vital, markets.

The anti-protectionist momentum has been established in Hong Kong, spurred by immediate dangers.

But some way must be made to keep the adrenalin flowing to ensure Hong Kong a realistic means of foreseeing, planning and lighting protectionism wherever it occurs.

/6662

CSO: 4020/117

IMPACT OF PRC IMPORT CURBS ON HONG KONG CITED

HK230650 Hong Kong AFP in English 0358 GMT 23 Nov 85

[Article by Claudia Mo]

[Text] Hong Kong, Nov 23 (AFP)--Hundreds of millions of U.S. dollars' worth of goods are lying idle in warehouses here as Hong Kong is hard hit by import curbs in China, its number two trading partner, local businessmen say.

Car dealer Yuen Kam-ming said his business had been left high and dry by China's continuous curb on vehicle imports.

It was estimated that China-bound vehicles worth at least 350 million Hong Kong dollars (45 million U.S.) were currently stockpiled in Hong Kong.

While Mr Yuen put the backlog figure at about 5,500 vehicles, some of his colleagues put it as high as 10,000.

"Ninety-nine per cent of these vehicles are of Japanese-make, such as Toyota and Isuzu," said Mr Yuen, owner of car agent China and Canton Co. Ltd. "and ninety-nine per cent of them are trucks and lorries which were shipped here at an average export price of 50,000 Hong Kong dollars (6,410 U.S.) each.

"We usually add a 10 percent on top for profit," he said.

The Chinese car cut was part of Beijing's measures introduced in March to cure a haemorrhage in the country's foreign exchange reserves--which plummeted to 11.5 billion U.S. dollars in March from 16.5 billion U.S. recorded in mid-1984. Many analysts believed the figure now stood below 10 billion.

Wang Deyan, a vice-president of the Bank of China, told an international monetary conference here in June that China had to restrict the import of consumer "luxuries", named as cars, TV sets and refrigerators.

Local businessmen interviewed by AGENCE FRANCE-PRESSE said heaps of China-bound goods valued at hundreds of millions of U.S. dollars were now sitting idly in local warehouses.

A rough guess would make up a list including 300,000 colour TV sets, 100,000 video recorders and 18,000 office copiers, they said.

Hong Kong seemed to be hardest hit by Beijing's tightening of its purse strings as the country was the British colony's second largest trading partner after the United States.

According to Mr Yuen, the car pinch has worsened since July after a massive import scandal broke out on Hainan Island off southern China. Official Chinese reports said some 90,000 cars and other items had been imported illegally by Hainan bureaucrats and then resold throughout China at substantial profits in the 15 months ending last March.

The Hainan intake was estimated to account for more than two-thirds of the total number of vehicles China had imported during the period.

"At the peak of the business, more than 120 cars a day entered China from Hong Kong via the border link of Man Kam road. Today the number is down to less than 30, and could fall still further," Mr Yuen said.

An executive with a giant car dealer here also reported that the firm's monthly China sales have drifted to 50 from 1,000 earlier this year.

"The bigger fish in the trade are having a hard time but I know many small fry are actually going bust," the official said.

"We shall think of ways to get rid of the stock at cut-throat prices," he added.

Dealers said a large majority of the stock originally had Guangdong Province, the four coastal special economic zones (SEZ's) and Hainan Island as their destination.

Analysts here believed this region, which enjoyed special privileges in foreign trade, played a big part in the country's spending spree recorded in the second half of last year.

"I had to get rid of my stock of electronic calculators--which until not long ago was a great hit with the Chinese--at the miserable price of a dozen dollars each in the [alleys] of Hong Kong," a local electronic dealer told AFP.

"The mainland scene is so unpredictable. I had already placed extra orders with factories in Taiwan and South Korea," he said. "I just didn't expect the China market to dry up so suddenly and so fast."

Meanwhile sales of personal computers across the border have also gone down dramatically in recent months, said Paul Hobkinson, director of local import-export agent Gilman and Co., which is the agent for Apple computers.

"I can't quantify the problem...but it should be just as bad, if not worse, as that in the office copier sector," Mr Hobkinson said.

He said around 18,000 copiers estimated to be worth 200 million Hong Kong dollars (25.6 million U.S.) were heaping up in storerooms.

Some local economists, including those with the Hang Seng Bank, however, remained optimistic over prospects for Hong Kong's China-bound exports and re-exports.

Although China's economic readjustment process was likely to last well into next year, there was "little ground for long-term pessimism," said a recent issue of the bank's monthly report on Hong Kong economy.

Once China's current efforts to consolidate its economy have come through, "the country would pursue its modernisation plan with added vigour," it said.

/6662

CSO: 4020/117

BRIEFS

BANK SHOWS CONFIDENCE IN FUTURE--Hong Kong, November 12 (XINHUA)--The Hong Kong-based Standard Chartered Bank demonstrates full confidence in the future of Hong Kong through large investment in high technology and human resources, the Chinese daily TA KUNG PAO reported here today. Since the signing of the Sino-British joint declaration on the future of Hong Kong, both the bank and its customers have shown considerable confidence in the territory's development, area general manager of the bank, William C.L. Brown, was quoted as saying. Standard Chartered, one of the two banknote-issuing banks in Hong Kong, has spent 200 million HK dollars (25.6 million U.S. dollars) on the computerization and automation facilities this year. More investment is to be made in the coming few years not only in Hong Kong, but also in the whole of Asia since it is considered a fast growing region with very high economic potentiality, Brown said. Human resources receives equal attention, he noted, adding that the bank has planned to expand the employee pool. [Text] [Beijing XINHUA in English 1158 GMT 12 Nov 85 OW] /6662

PRC INTERNATIONAL DEPOSIT PLAN PARTICIPATION--A certificate of deposit issue of \$100 million by Ka Wah International Merchant Finance Ltd (KWIMF), with China banks participating in the loan consortium, was announced yesterday. Part of the Ka Wah Bank Group, KWIMF will use the funds to increase its consumer loan and home ownership business, according to a statement from Ka Wah. Ka Wah said it was "of great significance" that Sin Hua Trust and Savings Bank and Nanyang Commercial Bank were in the loan consortium. It was believed to be the first time the China banks had associated themselves with international banks in the issue of CDS to a local financial institution, Ka Wah said. It saw that as indicating a more active role for China banks in the monetary market and "in promoting Hong Kong as a world financial centre". East Asia Warburg is the lead manager to the three-year floating rate loan. Aside from East Asia and the China banks, participants include the Amsterdam-Rotterdam Bank, Banco Fonsecas and Purnay, the Canadian Imperial Bank of Commerce, and Grindlays Asia. Ka Wah Bank is guaranteeing the loan. [Text] [Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 14 Nov 85 p 1 HK] /6662

SHARP FALL ON STOCK MARKET--Hong Kong, Nov 22 (AFP)--The stock market here today nosedived nearly 50 points, following a thinly-veiled warning from China that it would not tolerate sweeping political changes in the British colony before it reverts to Chinese rule in 1997. The Hang Seng Index

plummeted 49.69 points to close the day at 1,712.82. This was the market's worst one-day fall since last June 7 when it dropped more than 86 points following the collapse of the Overseas Trust Bank. Brokers said the market suffered a flurry of selling, triggered largely by a statement issued here yesterday by Xu Jiatao, the local head of the NEW CHINA NEWS AGENCY (NCNA). [Excerpt] [Hong Kong AFP in English 0938 GMT 22 Nov 85 HK] /6662

PRC NO 1 FOOD SUPPLIER--Hong Kong, November 21 (XINHUA)--The Chinese mainland is Hong Kong's largest food supplier, providing about 45 percent of the total value of food imports last year. As Hong Kong has very little land suitable for farming, all food needed by its 5,500,000 inhabitants must be imported, said executive director of the territory's Trade Development Council Jack So. He was speaking at "Foodfest 85", the third annual international food and beverage festival, which opened here yesterday. Attending the festival are exhibitors from 14 countries, including national displays from Australia, Brazil, Chile, China, Hungary, the Philippines and the United States. Last year, Hong Kong imported more than 21 billion H.K. dollars (2.7 billion U.S. dollars) worth of food and beverages, a seven percent increase over 1983. So urged the international food and beverage industry to join in the fight for free trade by lobbying their governments not to impose protectionist barriers against Hong Kong goods. [sentence as received] Such barriers would "surely jeopardize the ability of this very significant market to buy their products," he added. [Text] [Beijing XINHUA in English 1444 GMT 21 Nov 85 OW] /6662

CSO: 4020/117

- END -

**END OF
FICHE
DATE FILMED**

16 January 1986